

City of Missouri City, Texas



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For the Fiscal Year Ended
June 30, 2004**

City of Missouri City, Texas

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2004

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October 22, 2004

To the Honorable Mayor, Members of the City Council and Citizens of the
City of Missouri City, Texas

We are pleased to submit to you the Comprehensive Annual Financial Report of the City of Missouri City, Texas for the fiscal year ended June 30, 2004. This report is published to provide the City Council, City staff, our Citizens, our bondholders and other interested parties with detailed information concerning the financial condition and activities of the City. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation including all disclosure rests with the City. We believe the data, as presented, is accurate in all material respects and that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its government-wide financial statements and its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activity have been included.

THE REPORT

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial and statistical. The introductory section includes this transmittal letter, the City's organizational chart, a list of principal officials and a copy of the 2003 Certificate of Achievement Award. The financial section includes a Management's Discussion and Analysis (MD&A), basic financial statements, other required supplemental information and combining and individual fund statements and schedules. The financial section also includes our independent auditors' report on the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as well as management's discussion and analysis, budgetary comparison information and combining and individual fund financial statements and schedules.

The City's financial statements are presented again this year using the new comprehensive financial reporting model. The new financial reporting model is required under U.S. Generally Accepted Accounting Principles (GAAP) primarily under the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. Supplementing the new provisions of GASB 34 are additional GASB statements and related pronouncements that clarify and modify the provisions of GASB 34 and add new financial accounting and disclosure requirements.

The MD&A is a narrative introduction, overview and analysis to accompany the basic financial statements. The letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Missouri City's MD&A can be found immediately following the report of our independent auditors. The statistical section includes financial and demographic information presented on a multi-year basis that is relevant to a financial statement reader.

This new financial reporting model represents the most significant change in financial reporting for local governments in history. The model includes new financial information never before shown and restructures much of the information that the City has presented in the past. These new requirements are designed to make our annual report more comprehensive and easier to understand and use. The new financial reporting model gives us a new and more comprehensive way to demonstrate our stewardship in the long term in addition to the way we have demonstrated our stewardship in the short term and through the budgetary process in the past.

In addition to the MD&A described above, this annual report includes new government-wide financial statements, prepared using accrual accounting for all of our financial activities.

These new government-wide financial statements will help users:

- Assess the finances of the government in its entirety, including the year's operating results
- Determine whether the government's overall financial position improved or deteriorated
- Evaluate whether the government's current-year revenues were sufficient to pay for current-year services
- See the cost of providing services to its citizenry
- See how the government finances its programs—through user fees and other program revenues versus general tax revenues
- Understand the extent to which the government has invested in capital assets, including streets, bridges, and other infrastructure assets
- Make better comparisons between governments.

One of the most sweeping changes resulting from the new reporting model is a requirement to capitalize and depreciate all of our infrastructure, including streets, drainage facilities, bridges, and any other significant infrastructure assets. The City has been able to include all infrastructures, except streets, in this financial report. Under allowed phase in provisions of GASB 34, the City anticipates including streets in next year's annual report. Also under the provisions of GASB 34, the City intends to use an alternative method to depreciation for capitalization of streets called the modified approach. This modified approach alternative to depreciation requires that the City:

- Have an up-to-date inventory of streets or street segments.
- Perform condition assessments of streets and summarize the results using a measurement scale.
- Estimate each year the annual expenditures to maintain and preserve streets at the condition level established and disclosed by the City.
- Document that streets are being preserved approximately at (or above) the condition level established and disclosed by the City.

The City Council has adopted policies related to the required condition levels for this purpose. As part of documenting that streets are being preserved approximately at (or above) established condition levels, the City must document that:

- Complete condition assessments of streets are performed in a consistent manner at least every three years.
- The results of the three most recent complete condition assessments provide reasonable assurance that streets are being preserved approximately at (or above) the condition level established and disclosed by the City.

CITY PROFILE

Form of Government

The City of Missouri City, incorporated in 1956 and, operating under the “Home Rule Charter” adopted in 1974, has a Council-Manager form of government with six Council members and a Mayor serving staggered two-year terms. The City Council enacts local laws, determines policies and adopts the annual budget. The City Manager is appointed by the City Council and is responsible for the daily management of the City. The City council appoints many residents who volunteer their expertise and time to serve on various boards and commissions. The boards and commissions that meet on a regular basis are Planning and Zoning, Parks, Adjustment, Electrical, Sign, and Economic Development.

In addition, three of the seven City council members, City Manager and various Department Directors, meet with various sub committees throughout the year consisting of Architectural, Audit, Banking and Investments, Budget, Insurance, Cable TV, City Beautification, Community Development Block Grant, Citizens’ Advisory group, Community Relations, Comprehensive Plan, Developer Relations, Drainage and Public Safety relations.

Location

Missouri City is located approximately 20 miles southwest of downtown Houston, in northeast Fort Bend County. A small portion of the City extends into the southwestern section of Harris County, where its boundaries adjoin the City of Houston. Approximately 10% of the City’s population resides in Harris County. The northern portion of Missouri City is traversed by U.S. Highway 90, which intersects U.S. Highway 59 (Southwest Freeway), within three miles of the City. State Highway 6, one of the principal “outer loops” partially encircling the City of Houston, serves the southern portion of the city. The Sam Houston Tollway (Beltway 8), an 83-mile freeway providing a second freeway loop around the City of Houston, extends through the northeast portion of Missouri City. The highway ties U.S. Highway 90 to the Southwest Freeway, Interstate 10 and State Highway 288. On the east side of Missouri City, the newly constructed Fort Bend Tollway connects Beltway 8 to State Highway 6.

The City of Houston borders the City’s northeastern boundaries with Stafford and Sugar Land bordering the western and southwestern areas of our City. Many of our citizens work in Houston’s Medical Center and downtown areas, in addition to the Sugar Land area, with only a 20-35 minute drive time to work. A number of toll roads and highway expansions including Highway 90A and Texas State Highway 6 may shorten this time further.

The Reporting Entity and its Services

The basic financial statements of the City include police, fire, street maintenance, repairs, traffic control, parks, recreation, planning and inspection, drainage and general administrative services.

In March 1996, the City contracted with First Colony Municipal Utility District No. 9 (MUD 9) and Fort Bend County Municipal Utility District No. 42 (MUD 42) to construct the City’s first Regional Wastewater Treatment Plant. The construction and operation of the plant are shown in the City’s financial statements.

In June 2000, the Missouri City Council approved the creation of a Development Authority for the City that is responsible for management of all Public Improvement Districts (PIDs) and Tax Increment Reinvestment Zones (TIRZs) created by the City. One zone was formed to develop a problem area that had long been noted for substandard housing, and a lack of public infrastructure. Another zone was formed so that drainage problems could be handled on a regional basis.

Solid waste collection and disposal are provided to citizens independently through homeowners associations in each subdivision. Effective February 2002, Missouri City began contracting solid waste collection services in newly developed residential areas, where there are no existing homeowners associations and collection contracts. Plans are to work with homeowners associations to begin bringing in contracts as they renew and the association determines the City rates and/or quality of service are better. The City contracts with Browning Ferris Industries (BFI), who currently provides solid waste services to 85% of Missouri City.

Excluded from the reporting entity of the City are various special districts established under state law and operating under related regulations for the purpose of providing residential and commercial water, sewer, storm, drainage, and flood control services.

Effective October 2001, the City started providing maintenance and installing traffic signals along state highways as mandated by the State Highway Department, as our population exceeded 50,000 per the 2000 census.

The City requires developers to construct streets, drainage, utilities, etc. according to city specifications. Street light installation is paid by the homeowners associations for three years or until the subdivision is 80% complete. After that time, the City is responsible for the electricity.

In accordance with the implementation of the Texas Property Tax Code, the Fort Bend County Central Appraisal District provides appraisals of property located within the City.

Mission Statement and Organizational Goals

The City's mission statement is *"To provide the Citizens of Missouri City with quality service and efficient use of resources"*.

The City's overall goal statement is shown below:

A city that has grown to maturity and continues to be a desirable place:

- **to live**, because of the existence of a wide range of housing types located in safe, well-kept neighborhoods which receive a full range of services and supporting infrastructure;
- **to work**, because of the existence of office and light manufacturing, industry, and business offering a variety of job opportunities;
- **to play**, because of the existence of a wide range of leisure time activities, both public and private; and
- **to shop**, because of the existence of adequate and attractive retail areas.

The City Council and the City Staff shall:

1. Perform with concern for the health, safety and well-being of our citizens and always consider how our actions affect citizens.
2. Reflect a positive image.
3. Establish good/sound financial planning.
4. Strive to develop Missouri City within parameters of the Comprehensive Plan.
5. Work towards the equitable distribution of City resources.

ACCOUNTING SYSTEMS AND BUDGETING CONTROL

Accounting Systems

The City's accounting records for general governmental operations are maintained on a modified accrual basis with the revenues recorded when available and measurable and expenditures recorded when the services and goods are received and the liabilities are incurred. Accounting records for the City's proprietary activities are maintained on the accrual basis.

Consideration of adequate internal accounting controls has been made in designing the City's accounting system. Internal accounting controls, instituted by the Finance Department as part of the accounting system, are designed to provide reasonable assurances that assets are properly safeguarded against loss from unauthorized use or disposition, that financial records used in preparation of the financial statements are reliable, and that accountability for the City's assets is maintained. The concept of reasonable assurance in relation to internal controls recognizes that the cost of a control process should not exceed the benefits derived from the performance of related procedures and that the City's management must make estimates and judgments in evaluating the cost and benefit relationships relating to internal control processes and procedures that become a part of the City's accounting system.

Budgetary Compliance

Because budgetary compliance is significant in managing governmental activities, budgetary compliance controls are critical. The objective of these controls is to ensure compliance with legal spending limits in annual or project appropriated budgets approved by City Council. The City Charter provides that the City Council shall adopt annual or project budgets every fiscal year for all City funds. The budgets are prepared and maintained by the city management.

The budgetary process is initiated by a goal setting meeting and budget planning session with City Council. The City Council reviews the five-year general operating revenue and expenditure projections and determines the City's goals and priorities for the year. Following this meeting, budget revenue estimates are made by the Finance Director in March of each year and are amended in early May. The estimates are evaluated by the City Manager before inclusion in the total budget. Basic budget requests are developed at the department level and submitted to the Finance Department for analysis and compilation. The basic budget is considered to be the minimum budget that is necessary for the continuation of current municipal service levels during the next fiscal year. Supplemental requests for proposed changes from the basic budget, except for certain capital items, are then submitted by the Department Heads to the City Manager.

Finally, the five-year capital requests are submitted. After the City Manager's review and approval, the proposed budget is compiled by the Finance Department and submitted to the City Council Budget Committee, comprised of three City Council members, City Manager and Finance Director, for consideration, review and changes for final approval by the entire City Council.

Budgetary Controls

During the year, expenditure controls are maintained by each department with review of the budget provided by the Finance Director and overall control exercised by the City Manager. Constant review of revenue and expenditure estimates is performed to assure the integrity of the adopted budget and to assure funds are available to meet current obligations. As a result of this review, it is possible to exercise administrative budgetary controls throughout the year. As demonstrated by the financial statements presented in this report, the City continues to meet its responsibility for sound financial management.

Multi-year Budgeting

Beginning with the 2003 fiscal budget year, the City began preparing two-year budgets. The Governmental Accounting/Management Industry Guide suggests three specific styles of biennial budgeting. The most rigorous biennial process determines and approves two years of appropriations.

The budget is only reopened in case of a significant change in revenues or expenditures. The second option is a two-year budget with a one-year appropriation and a de facto second year appropriation, which is reviewed and approved annually to comply with state laws.

The third type and the one chosen by Missouri City, is a one-year budget with a "rolling" second year. The budget numbers are used during the next year's budget process as a guide to the next year's budget.

In a rapidly growing city such as ours, perhaps the greatest benefit of a two-year budget is to determine how the decision of one year affects the next year's budget. For example, failure to increase the tax rate as planned, may greatly affect upcoming years. The addition of personnel or lack of hiring personnel when needed may greatly affect future years' budgets.

ECONOMIC OUTLOOK AND FINANCIAL CONDITION

There are a number of initiatives currently underway, which will transform our city and improve the quality of life for Missouri City citizens.

Recently Approved Bonds

Six (6) propositions proposed to construct, improve, renovate, repair and equip streets and drainage systems, parks and recreation facilities, police and fire protection facilities and city hall and criminal court buildings were part a bond election approved by voters on September 13, 2003. The six (6) propositions totaling \$75 million in new bond issuances allow expansion and improvements to serve the increasing needs of the residents as the City projects a population of 90,000 in the next 10 years.

The voter approval of these bonds is directly attributable to the citizen participation approach used, the citizen involvement in the supporting the bonds, the Council's 100% support for the new bonds and the City's staff providing technical input during the formulation of the bond proposal and related public presentations. The turnout for the election was very high with over 20% or 6,000 citizens' casting votes. This was almost 4 times as many voters as in the City's last bond election in 1995.

The next step required in order to implement the \$75 million bond issuance is to establish priorities for the projects and develop a 10-year capital improvement program. Possible criteria for establishing priorities include life safety issues, public safety projects, projects being driven by outside agencies such as Texas Department of Transportation (TXDOT) and land acquisition.

The first bond sale occurred on May 3, 2004 and included a portion of the remaining 1995 bonds and a portion of the newly voted bonds. Depending on the economy, the availability of outside funds, and the amount of growth in the city, there may be a bond sale each year thereafter through fiscal 2013.

According to the Greater Fort Bend County Economic Development Council's Annual Report for the year ended June 30, 2003, Fort Bend County ranked second in projected growth for U.S. counties with more than 250,000 in population for 2003-2025. The population of Fort Bend County is currently estimated at over 412,000 persons. With an increase in local and regional business activity, the unemployment fell in Fort Bend County to 5.8% from 6.9% recorded in the previous year. In 1990, 41% of the City's labor force lived and worked in Fort Bend County; today, Fort Bend County supports 58% of our work force.

Target Industry Analysis

The Fort Bend Economic Development Council selected the firm of Angelou Economics of Austin, Texas as our current economist to help the county as a whole to perform a target industry analysis. The firm was retained to perform a strength, weakness and opportunity analysis to develop target industries. Missouri City and Sugar Land participated in the study.

The strategic planning efforts focused on attracting six target industry sectors: energy related services, bio-medical, health, specialty electronics, professional and business services, corporate headquarters as well as regional and local retail. Missouri City and certain developers have also contracted with Angelou Economics for two specific site assessments to prepare the City for its future growth along Beltway 8 and the Fort Bend Parkway Toll Road.

Other hot spots include the Fort Bend Parkway and the Sienna Parkway for a total of 1,200 acres. Houston Community College has selected a location along Sienna Parkway for a future campus.

Construction of the new Fort Bend County Parkway Toll Road through Missouri City began in June 2003 and opened in August 2004.

The Harris County Toll Road Authority is moving quickly on the north extension of the Toll Road which will connect to U.S. 90 at Chimney Rock Road, which is another significant interconnect through the greater Houston area.

The Liberation Project, a non-profit community development corporation partnered with developers to develop a 24-acre planned development area in the City. Glen Park is a result of the partnership between Missouri City, Southwest Bank of Texas, Sugar Land Properties, the Liberation Project, Fannie Mae and the Greater Fort Bend Economic Development Council.

OTHER INFORMATION

Independent Audit

An annual audit of all accounts of the City was made by Sandersen Knox & Belt, L.L.P., a certified public accounting firm selected by the City Council. Therefore, the City has complied with City Charter requirements for an independent annual financial and compliance audit. The auditors' opinion has been presented as the first component of the financial section of this report. The City's audit has been conducted in accordance with U.S. generally accepted auditing standards and found that the City's 2004 financial statements were prepared in conformity with generally accepted accounting principles.

The City's Audit Committee consists of three City Council members, the City Manager, Finance Director, and the Budget and Financial Reporting Manager. The Audit Committee meets jointly prior to the audit process with the independent auditors. In these meetings, the scope of the audit, timing concerns and items of special interest are discussed. The Committee meets again with the auditors in a formal exit conference to discuss their findings. The financial report and recommendations are then submitted to the entire City Council.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Missouri City, for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2003. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, the contents of which conform to program standards. Such comprehensive annual financial reports must satisfy both U.S. Generally Accepted Accounting Principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Missouri City has received a Certificate of Achievement for 21 consecutive years. We believe our current Comprehensive Annual Financial Report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA for review.

In addition, the City received the GFOA's award for Distinguished Budget Presentation for its annual budget document dated June 30, 2003. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories including policy documentation, financial planning and organization.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department and the cooperation of all other City departments. We would like to express our appreciation to all members of the finance department staff and other City department staff who assisted and contributed to the preparation of this report. Credit must also be given to the Mayor, City Council and Audit Committee members,

especially the Audit Committee Chair, for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Missouri City's finances.

Requests for Information

This financial report is designed to provide a general overview of the City of Missouri City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 1522 Texas Parkway, Missouri City, TX 77489, phone 281-261-4293, email address wvela@ci.mocity.tx.us.

Respectfully submitted,



Frank Simpson
City Manager



Wesley J. Vela, CPA
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Missouri City,
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

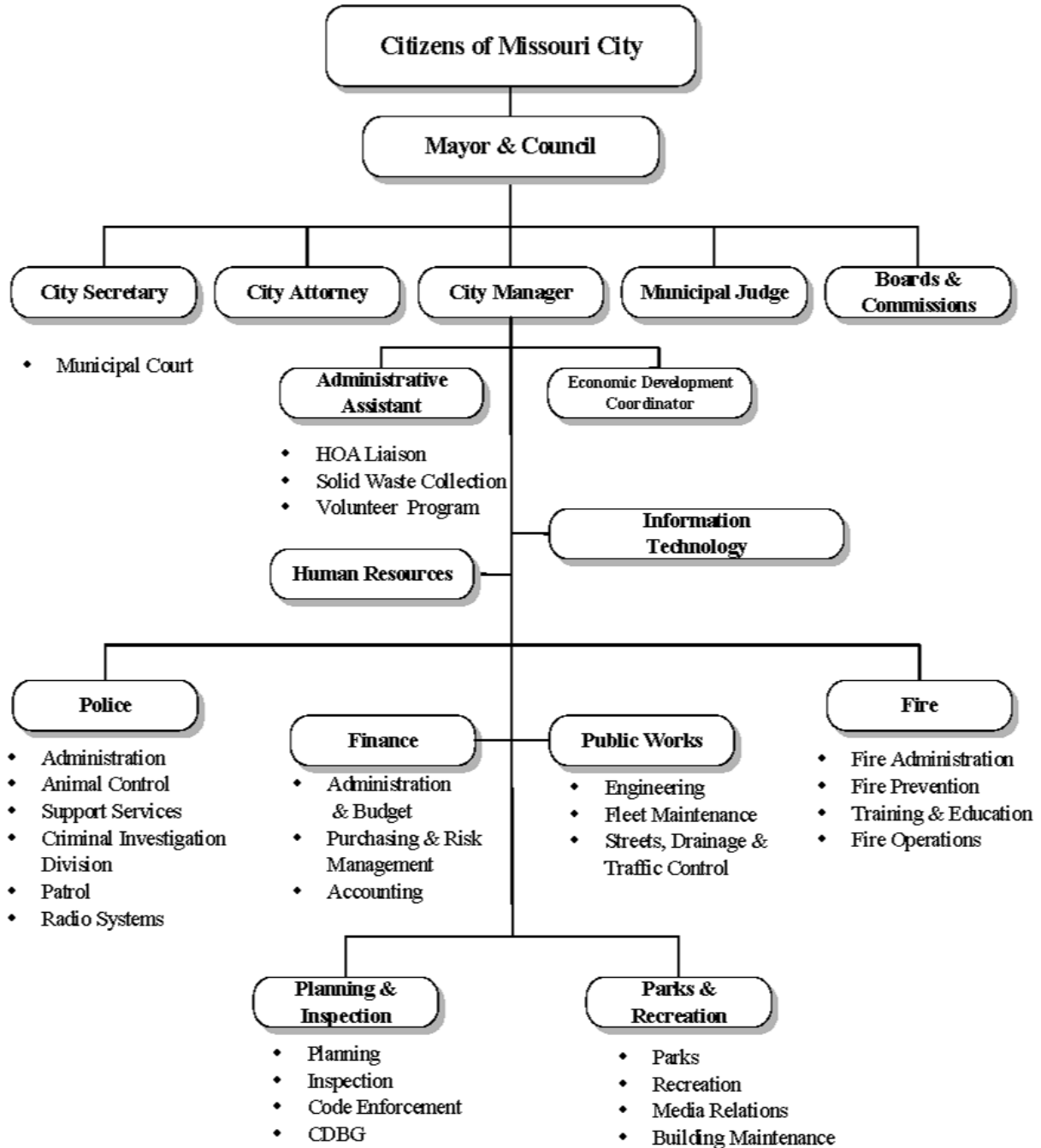
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

ORGANIZATIONAL CHART



City of Missouri City, Texas

List of Principal Officials

As of June 30, 2004



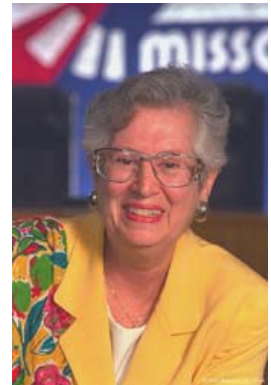
Mayor
Allen Owen



Jerry Wyatt
Mayor Pro Tem
Council - Position 1



Buddy Jimerson
Council - Position 2



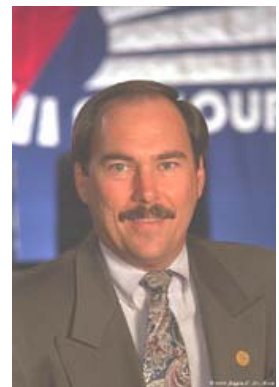
Eunice H. Reiter
Council - District A



Don Smith
Council - District B



Robert Burton
Council - District C



Brett Kolaja
Council - District D

City of Missouri City, Texas

List of Principal Officials
As of June 30, 2004

Elected Officials

Allen Owen	Mayor
Jerry Wyatt (Position 1)	Mayor Pro Tem
Buddy R. Jimerson (Position 2)	Council Member
Eunice H. Reiter (District A)	Council Member
Don Smith (District B)	Council Member
Robert C. Burton (District C)	Council Member
Jon Brett Kolaja (District D)	Council Member

Appointed Officials

Frank Simpson	City Manager
Patrice Fogarty	City Secretary
Mary Ann Powell	City Attorney

City of Missouri City, Texas

List of Principal Officials
As of June 30, 2004

Executive Managers

Wes Vela	Director of Finance
Ron Echols	Police Chief
Mark Ewald	Fire Chief
Lee Dorger	Director of Public Works
Doug Carter	Director of Parks & Recreation
Wayne E. Neumann	Director of Planning & Development
Valerie Langdon	Human Resources Manager
Kendall Litchfield	Information Technology Director

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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13401 Southwest Freeway, Suite 101 • Sugar Land, Texas 77478 • 281/242-3232 • Fax 281/242-3252 • www.skbtxas.com

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council
City of Missouri City, Texas

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Missouri City, Texas, (the "City") as of June 30, 2004, and for the year then ended, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Missouri City, Texas, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 9 through 18, budgetary comparison information on page 72 and pension information on page 73 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Missouri City, Texas, as listed in the table of contents. The introductory section, other supplementary information, and statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements and schedules within the other supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink, appearing to read "Subbarao Bell". The signature is fluid and cursive, with the first name "Subbarao" and the last name "Bell" clearly distinguishable.

Sugar Land, Texas
September 17, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Management's Discussion and Analysis

As management of the City of Missouri City, we offer readers of the City of Missouri City's financial statements this narrative overview and analysis of the financial activities of the City of Missouri City for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-vii of this report.

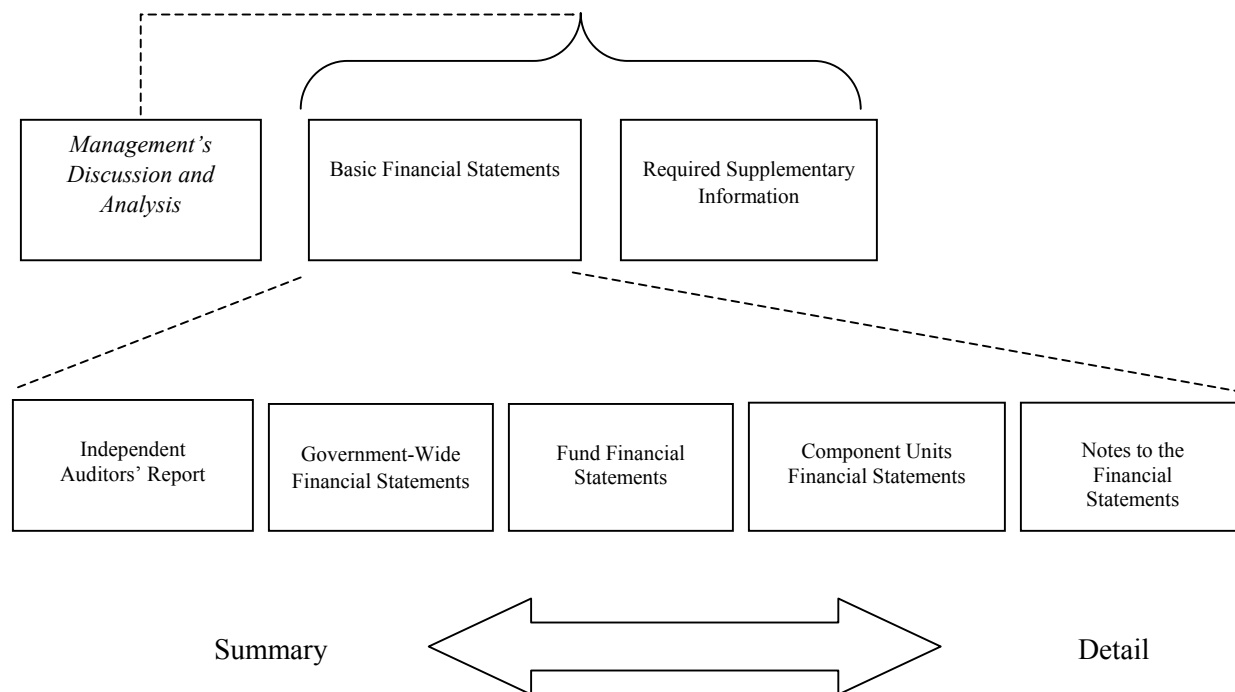
FINANCIAL HIGHLIGHTS

- The assets of the City of Missouri City exceeded its liabilities at the close of the most recent fiscal year by \$38.0 million (net assets). Of this amount, \$5.6 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City is phasing in the recording of street infrastructure values acquired prior to July 1, 2002, in accordance with generally accepted accounting principles. The City anticipates recording the value of all street infrastructure inventory by the end of fiscal 2005.
- The City's total net assets increased by \$3.1 million during the year.
- The City of Missouri City's total expenses were \$27.9 million. Program revenues of \$8.2 million reduced the net cost of the City's functions to be financed from the City's general revenues to \$19.7 million.
- The City of Missouri City's total debt increased by \$6.8 million during the current fiscal year. The key factor in this increase was the issuance of \$9,470,000 in two new bond offerings.

USING THE FINANCIAL SECTION OF THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT

This Comprehensive Annual Financial Report consists of three sections: introductory, financial and statistical. As the following chart shows, the financial section of this report has three components - *management's discussion and analysis* (this section), the *basic financial statements* and *required supplementary information*.

Components of the Financial Section



OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Missouri City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies.

The Statement of Net Assets and the Statement of Activities, which are the government-wide statements, report information about the City as a whole and about its activities in a way that helps answer the question of whether the City is better off this year as compared to last year. These statements include all assets and liabilities and are presented on the accrual basis of accounting. All current year revenues and expenses are taken into account regardless of when the cash is received or paid.

The Statement of Net Assets presents information on all of the City of Missouri City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the City of Missouri City is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, finance, police, fire, public works, certain regional wastewater treatment services for local municipal utility districts (non-enterprise), parks and recreation and planning. The business-type activities of the City include regional wastewater treatment services for local municipal utility districts.

The government-wide financial statements include not only the City of Missouri City itself (known as the primary government), but also legally separate component units for which the City of Missouri City is financially accountable. These component units are the Missouri City Development Authority, Tax Increment Reinvestment Zones 1 and 2 and Public Improvement Districts 2 and 3. All of these component units function for all practical purposes as departments of the City, almost entirely benefiting the City, and therefore have been included as an integral part ("blended") of the primary government.

FUND FINANCIAL STATEMENTS

Traditional users of government financial statements will find the fund financial statement presentation more familiar. The focus is now on the City's most significant funds. The fund financial statements provide more information about the City's most significant funds - not the City as a whole.

The City has three types of funds:

Governmental Funds - Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed

short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's major programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statement that explains the relationship/differences between them.

The City maintains 25 individual governmental funds for financial reporting purposes. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, the debt service fund, the metro capital projects fund and the bond fund, all of which are considered to be major funds. Data from the other funds is provided in the column labeled other governmental funds.

Proprietary funds - Proprietary Funds include the City's Enterprise and Internal Service Funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses two enterprise funds to account for its regional wastewater treatment services for local municipal utility districts that are currently in the development stage.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses five internal service funds to account for asset replacement and maintenance activities for the vehicle fleet, management information services and equipment and buildings. All internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Because the services accounted for in the internal service funds benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. These funds include bond deposits for the City's municipal court and tax collection activities for the Houston Community College in the City.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 40-69 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's General Fund budget compliance and its progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 72-73 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$38.0 million.

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets:

SUMMARY OF STATEMENT OF NET ASSETS As of June 30, 2004 and 2003 (amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 31,761	\$ 22,445	\$ 922	\$ 1,122	\$ 32,683	\$ 23,567
Capital assets, net	46,895	45,965	647	93	47,542	46,058
Total Assets	78,656	68,410	1,569	1,215	80,225	69,625
Long-term liabilities	38,577	31,819	1,215	1,215	39,792	33,034
Other liabilities	2,111	1,754	354		2,465	1,754
Total Liabilities	40,688	33,573	1,569	1,215	42,257	34,788
Net Assets:						
Invested in capital assets, net of debt	25,968	28,976			25,968	28,976
Restricted	6,366	5,267			6,366	5,267
Unrestricted	5,634	594			5,634	594
Total Net Assets	\$ 37,968	\$ 34,837	\$	\$	\$ 37,968	\$ 34,837

By far the largest portion of the City's net assets (68 percent) reflects its investment in capital assets (e.g., land, building, machinery, equipment and infrastructure), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net assets (17 percent) represents resources that are subject to external restrictions on how they may be used.

The governmental net assets increased by \$3.1 million during the current fiscal year. Most of this increase represents the degree to which increases in ongoing revenues have exceeded increases in ongoing expenses. Business activities have no operating activities for the current year because these activities, related to regional wastewater treatment facilities to serve local municipal utility districts, are currently in the development stage.

Statement of Activities

The following table provides a summary of the City's changes in net assets:

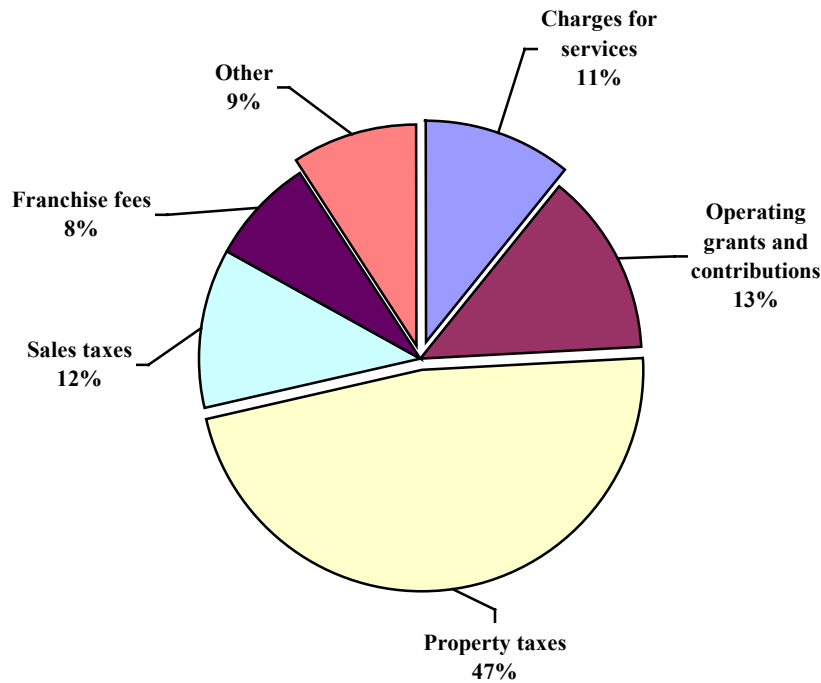
CHANGES IN NET ASSETS For the Fiscal Years Ended June 30, 2004 and 2003 (amounts expressed in thousands)

	Governmental Activities	
	2004	2003
Revenues		
Program revenues:		
Charges for services	\$ 3,651	\$ 4,067
Operating grants and contributions	4,523	3,064
General revenues:		
Property taxes	15,870	14,248
Other taxes	3,876	3,666
Other	3,061	3,149
Total Revenues	<u>30,981</u>	<u>28,194</u>
Expenses		
General government	2,480	2,648
Finance	1,822	1,559
Police	7,262	6,262
Fire	4,878	4,075
Public works	5,785	5,953
Parks and recreation	2,289	1,915
Planning	1,939	1,432
Interest on long-term debt	1,395	1,514
Total Expenses	<u>27,850</u>	<u>25,358</u>
Change in Net Assets	3,131	2,836
Net assets, beginning	<u>34,837</u>	<u>32,001</u>
Net Assets, Ending	<u>\$ 37,968</u>	<u>\$ 34,837</u>

- Property taxes increased by approximately \$1.6 million from the prior year, primarily due to an increase in the tax rate and increase in assessed value on property.
- Total governmental activities expenses increased by \$2.5 million.

Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities.

GOVERNMENTAL REVENUES

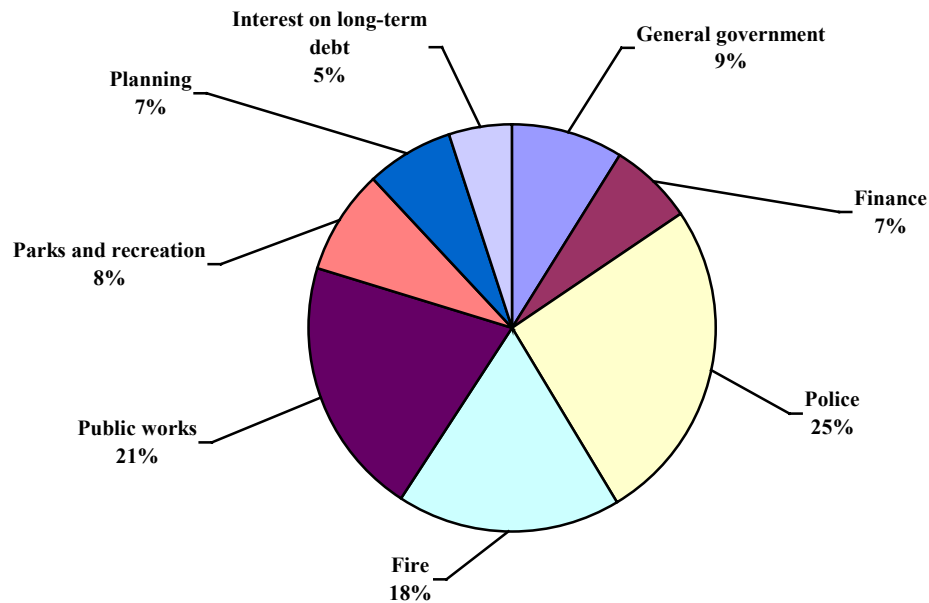


For the fiscal year ended June 30, 2004, revenues from governmental activities totaled \$31.0 million. Included in the \$31.0 million were:

- Property Taxes, \$15.9 million;
- Other Taxes, \$3.9 million;
- Charges for Services, \$3.6 million;
- Operating Grants and Contributions, \$4.5 million;
- Other (primarily investment income), \$3.1 million.

Revenues per capita were \$521.

GOVERNMENTAL FUNCTIONAL EXPENSES



For the fiscal year ended June 30, 2004, expenses for governmental activities totaled \$27.9 million. Included in the \$27.9 million were:

- General Government, \$2.5 million;
- Finance, \$1.8 million;
- Police, \$7.3 million;
- Fire, \$4.9 million;
- Public Works, \$5.8 million;
- Parks and Recreation, \$2.3 million;
- Planning, \$1.9 million;
- Interest on long-term debt was \$1.4 million.

Expenses per capita were \$469.

BUSINESS-TYPE ACTIVITIES

Business-type activities present development stage activities for regional wastewater treatment services for local municipal utility districts. Certificates of obligation of \$1,215,000 were sold in the 2003 fiscal year to finance construction of the new Lower Oyster Creek and Mustang Bayou regional wastewater treatment plants. Land totaling \$463,058 and construction in progress of \$184,270 was funded by proceeds of the certificates of obligation by the end of the 2004 fiscal year for this purpose. These plants are projected to be in operation by 2005-06.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds - The focus of the City's governmental funds is to provide information of near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

The City's governmental funds reflect a combined fund balance of \$27.0 million at the end of the fiscal year. Of this, \$22.8 million is unreserved and available for day-to-day operations of the City; \$2.0 million is reserved for debt service and \$2.2 million is reserved for encumbrances and other purposes.

The general fund is the main operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$6.3 million, while the total general fund balance reached \$6.5 million. As a measure of the general fund's liquidity, the City compares total fund balance to total fund revenues. Total fund balance represents 29.3 percent of total general fund revenues at the end of fiscal 2004.

The fund balance of the City's general fund increased by \$1.8 million during the current fiscal year. This represents a significant increase from the prior year's decrease of \$370 thousand. Key factors related to this increase in financial performance are as follows:

- Revenues increased by \$1.4 million while expenditures to fund basic City services increased by \$1.2 million.
- Other financing sources (uses) increased by 2.0 million from the prior year.

The debt service fund has a total fund balance of \$2.0 million, all of which is reserved for the payment of debt service. The net increase in fund balance during the current fiscal year in the debt service fund was \$645 thousand. Interest and fiscal charges expenditures decreased \$115 thousand.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Since both enterprise funds, are currently in the development stage, there is no operating activity for the current fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

No significant budget amendments were made during the 2004 fiscal year.

General fund budgetary expenditures were \$1.3 million less than the final budget appropriation. Ending general fund balance was \$2.1 million more than anticipated by the final approved budget.

CAPITAL ASSETS

The City of Missouri City's investment in capital assets for its governmental and business type activities as of June 30, 2004, amounts to \$47.5 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery, equipment and infrastructure. These asset totals exclude street infrastructure acquired prior to July 1, 2002. Street infrastructure will be significant in value and is expected to be recorded by the end of fiscal 2005. The City has estimated the street infrastructure will be approximately \$78 million before accumulated depreciation.

SCHEDULE OF CAPITAL ASSETS
(net of depreciation in thousands)

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Non-Depreciable Assets						
Land	\$ 9,829	\$ 9,764	\$ 463	\$	\$ 10,292	\$ 9,764
Construction in progress	1,953	364	184	93	2,137	457
Other Capital Assets						
Infrastructure	15,028	14,943			15,028	14,943
Buildings	13,978	14,298			13,978	14,298
Improvements other than buildings	2,177	2,359			2,177	2,359
Machinery and equipment	3,931	4,237			3,931	4,237
Totals	<u>\$ 46,896</u>	<u>\$ 45,965</u>	<u>\$ 647</u>	<u>\$ 93</u>	<u>\$ 47,543</u>	<u>\$ 46,058</u>

Construction in progress at year-end represents numerous ongoing projects, the largest of which relate to drainage improvements.

Additional information on the City's capital assets can be found in Note 7 to the financial statements.

LONG-TERM DEBT

At the end of the current fiscal year, the City had total general obligation debt outstanding of \$38.9 million. Of this amount, \$29.7 million is general obligation debt and \$9.1 million comprises debt from Certificates of Obligation. The remainder of the City's governmental activities debt (\$917 thousand) relates to accrued compensated absences.

SCHEDULE OF LONG-TERM DEBT
(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
General Obligation Bonds	\$ 29,725	\$ 23,330	\$	\$	\$ 29,725	\$ 23,330
Certificates of Obligation	7,935	7,560	1,215	1,215	9,150	8,775
Capital Leases		20				20
Compensated Absences	917	909			917	909
Total	<u>\$ 38,577</u>	<u>\$ 31,819</u>	<u>\$ 1,215</u>	<u>\$ 1,215</u>	<u>\$ 39,792</u>	<u>\$ 33,034</u>

The City's total debt increased by \$6.8 million (20.6 percent) from the prior fiscal year. During the current fiscal year, the City issued \$8.0 million in permanent improvement bonds and \$1.5 million in certificates of obligation.

All general obligation debt is scheduled to be retired by 2024.

The City has earned an “A” rating from Standard and Poor’s and an “A1” rating from Moody’s Investor Service. The City generally insures its debt issues to receive an “AAA” rating.

More detailed information about the City's long-term liabilities is presented in Note 8 to the financial statements.

ECONOMIC FACTORS

The unemployment rate for the City of Missouri City as of June 30, 2004 was 5.8%, a decrease in the 6.9% rate from the prior year. The U. S. and Texas unemployment rates for June 2004 were 5.6% and 6.5%, respectively.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Missouri City’s finances for all those with an interest in the City’s finances. Questions concerning this report or requests for additional financial information should be directed to Wesley J. Vela, Finance Director, City Hall, 1522 Texas Parkway, Missouri City, TX 77459, telephone (281) 261-4293, or, for general City information, visit the City’s website at www.ci.mocity.tx.us.

BASIC FINANCIAL STATEMENTS

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City of Missouri City, Texas

STATEMENT OF NET ASSETS

June 30, 2004

	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Cash and cash equivalents	\$ 22,641,993	\$ 921,920	\$ 23,563,913
Investments	6,051,520		6,051,520
Receivables	1,351,798		1,351,798
Due from others	1,674,292		1,674,292
Inventories	41,258		41,258
Capital assets:			
Land	9,829,020	463,058	10,292,078
Buildings	17,087,151		17,087,151
Improvements other than buildings	3,409,471		3,409,471
Machinery and equipment	9,040,321		9,040,321
Infrastructure	19,447,234		19,447,234
Construction in progress	1,953,055	184,270	2,137,325
Less accumulated depreciation	(13,870,715)		(13,870,715)
Total Assets	78,656,398	1,569,248	80,225,646
<u>Liabilities</u>			
Accounts payable and other current liabilities	2,058,727	354,248	2,412,975
Accrued interest payable	51,916		51,916
Noncurrent liabilities:			
Due within one year	3,220,000	40,000	3,260,000
Due in more than one year	35,357,539	1,175,000	36,532,539
Total Liabilities	40,688,182	1,569,248	42,257,430
<u>Net Assets</u>			
Invested in capital assets, net of related debt	25,968,369		25,968,369
Restricted for:			
Capital projects	2,566,303		2,566,303
Debt service	2,002,045		2,002,045
Parkland dedication	676,233		676,233
Regional wastewater operations	177,343		177,343
Community development	803,099		803,099
Other	140,986		140,986
Unrestricted	5,633,838		5,633,838
Total Net Assets	\$ 37,968,216	\$	\$ 37,968,216

See Notes to Financial Statements.

City of Missouri City, Texas

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2004

Functions/Programs	Expenses	Program
		Charges for Services
Governmental Activities:		
General government	\$ 2,480,077	\$
Finance	1,822,138	
Police	7,261,563	836,621
Fire	4,878,403	
Public works	5,784,837	439,267
Parks and recreation	2,289,576	
Planning	1,938,591	2,374,827
Interest and fiscal agent fees on long-term debt	1,395,337	
Total Governmental Activities	\$ 27,850,522	\$ 3,650,715
General Revenues:		
Property taxes		
Other taxes		
Franchise fees		
(Loss) on sale of capital assets		
Investment earnings		
Other		
Total General Revenues		
Change in Net Assets		
Net Assets - beginning		
Net Assets - Ending		

See Notes to Financial Statements.

Revenues Operating Grants and Contributions	Net (Expense) Revenue and Change in Net Assets Governmental Activities (Total)
\$ 240,754	\$ (2,239,323)
	(1,822,138)
453,433	(5,971,509)
468,469	(4,409,934)
2,747,020	(2,598,550)
422,286	(1,867,290)
191,200	627,436
	(1,395,337)
<u>\$ 4,523,162</u>	<u>\$ (19,676,645)</u>
	15,869,579
	3,875,756
	2,673,264
	(49,002)
	213,997
	223,999
	<u>22,807,593</u>
	3,130,948
	<u>34,837,268</u>
	<u>\$ 37,968,216</u>

City of Missouri City, Texas

BALANCE SHEET GOVERNMENTAL FUNDS

June 30, 2004

	<u>General Fund</u>	<u>Debt Service</u>	<u>Metro Capital Projects</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 5,157,142	\$ 1,581,287	\$ 2,160,305
Investments	1,377,477	422,708	577,491
Receivables:			
Property taxes	743,612	326,750	
Less: Allowance for estimated uncollectibles	(49,979)	(21,094)	
Other net of allowance account	183,669		
Due from other governments	1,304,529		281,096
Due from other funds	66,430		
Inventories	7,182		
Total Assets	<u>\$ 8,790,062</u>	<u>\$ 2,309,651</u>	<u>\$ 3,018,892</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 952,797	\$ 1,950	\$ 93,698
Retainage payable	2,050		15,690
Deferred revenue	716,103	305,656	
Due to other funds			
Due to others	639,359		
Total Liabilities	<u>2,310,309</u>	<u>307,606</u>	<u>109,388</u>
Fund Balances:			
Reserved for:			
Encumbrances	191,128		346,899
Inventories	7,182		
Community development			
O&M			
Debt service		2,002,045	
Unreserved, designated for accrued compensated absences (General and Special Revenue Funds)	855,800		
Unreserved, undesignated reported in:			
General fund	5,425,643		
Special revenue funds			
Capital projects funds			2,562,605
Total Fund Balances	<u>6,479,753</u>	<u>2,002,045</u>	<u>2,909,504</u>
Total Liabilities and Fund Balances	<u>\$ 8,790,062</u>	<u>\$ 2,309,651</u>	<u>\$ 3,018,892</u>

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Internal service funds are used by management to charge the costs of management information services, fleet and building maintenance and asset replacement to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

Long-term liabilities, including bonds, certificates of obligation payable, accrued compensated absences and related accrued interest are not due and payable in the current period and are therefore not reported in the funds.

Revenues that do not provide current financial resources are reported as deferred in the funds.

Net Assets of Governmental Activities

See Notes to Financial Statements.

<u>Bond Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 9,000,506	\$ 3,374,733	\$ 21,273,973
2,406,009	902,136	5,685,821
		1,070,362
		(71,073)
8,801	143,291	335,761
	88,667	1,674,292
		66,430
		7,182
<u>\$ 11,415,316</u>	<u>\$ 4,508,827</u>	<u>\$ 30,042,748</u>
\$ 132,538	\$ 56,761	\$ 1,237,744
69,505		87,245
	138	1,021,897
	66,430	66,430
		639,359
<u>202,043</u>	<u>123,329</u>	<u>3,052,675</u>
861,857	705,099	2,104,983
		7,182
	3,889	3,889
	92,665	92,665
		2,002,045
	17,558	873,358
		5,425,643
	1,033,772	1,033,772
10,351,416	2,532,515	15,446,536
<u>11,213,273</u>	<u>4,385,498</u>	<u>26,990,073</u>
<u>\$ 11,415,316</u>	<u>\$ 4,508,827</u>	
		43,235,742
		5,305,778
		(38,585,274)
		1,021,897
		<u>\$ 37,968,216</u>

City of Missouri City, Texas
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2004

	<u>General Fund</u>	<u>Debt Service</u>	<u>Metro Capital Projects</u>
<u>Revenues</u>			
Taxes:			
Property taxes and penalties	\$ 11,015,171	\$ 4,738,545	\$
Other taxes	3,875,756		
Licenses and permits	2,374,827		
Fines and forfeitures	836,621		
Franchise fees	2,673,264		
Intergovernmental revenues	192,525		1,664,631
Other revenue	1,135,752	50,945	20,601
Total Revenues	<u>22,103,916</u>	<u>4,789,490</u>	<u>1,685,232</u>
<u>Expenditures</u>			
Current:			
General government	2,133,333		
Finance	1,671,809		
Police	6,567,207		
Fire	4,618,559		
Public works	2,864,517		
Parks and recreation	1,961,973		
Planning	1,687,354		
Capital outlay			424,923
Debt service:			
Principal		2,717,982	
Interest and fiscal charges		1,403,987	
Total Expenditures	<u>21,504,752</u>	<u>4,121,969</u>	<u>424,923</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	<u>599,164</u>	<u>667,521</u>	<u>1,260,309</u>
<u>Other Financing Sources (Uses)</u>			
Reimbursements from MUD's	561,575		
Transfers from other funds	727,279		
Transfers (to) other funds	(102,880)	(22,420)	(640,000)
Proceeds of long-term debt			
Total Other Financing Sources (Uses)	<u>1,185,974</u>	<u>(22,420)</u>	<u>(640,000)</u>
Net Change in Fund Balance	1,785,138	645,101	620,309
Fund balances, beginning	<u>4,694,615</u>	<u>1,356,944</u>	<u>2,289,195</u>
Fund Balances, Ending	<u><u>\$ 6,479,753</u></u>	<u><u>\$ 2,002,045</u></u>	<u><u>\$ 2,909,504</u></u>

See Notes to Financial Statements.

<u>Bond Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$	\$	\$
		15,753,716
		3,875,756
		2,374,827
		836,621
		2,673,264
12,123	481,551	2,350,830
238,182	1,023,202	2,468,682
<u>250,305</u>	<u>1,504,753</u>	<u>30,333,696</u>
	138,327	2,271,660
		1,671,809
	157,898	6,725,105
		4,618,559
	615,678	3,480,195
	45,047	2,007,020
	186,936	1,874,290
3,046,965	1,464,445	4,936,333
		2,717,982
		1,403,987
<u>3,046,965</u>	<u>2,608,331</u>	<u>31,706,940</u>
<u>(2,796,660)</u>	<u>(1,103,578)</u>	<u>(1,373,244)</u>
		561,575
	834,899	1,562,178
	(640,567)	(1,405,867)
7,970,000	1,500,000	9,470,000
<u>7,970,000</u>	<u>1,694,332</u>	<u>10,187,886</u>
5,173,340	590,754	8,814,642
6,039,933	3,794,744	18,175,431
<u>\$ 11,213,273</u>	<u>\$ 4,385,498</u>	<u>\$ 26,990,073</u>

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City of Missouri City, Texas
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2004

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 8,814,642
Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,136,162
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	115,863
The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(6,752,018)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This adjustment reflects the net change in interest payable (\$8,650) and accrued compensated absences (-\$12,829).	(4,179)
The net income (loss) of certain activities of internal service funds is reported with governmental activities.	<u>(179,522)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 3,130,948</u></u>

See Notes to Financial Statements.

City of Missouri City, Texas

STATEMENT OF NET ASSETS PROPRIETARY FUNDS

June 30, 2004

	Business-type Activities -	
	Lower Oyster Creek Regional WWTP	Mustang Bayou Regional WWTP
<u>Assets</u>		
<u>Current Assets:</u>		
Cash and cash equivalents	\$	\$
Investments		
Receivables:		
Other net of allowance account		
Due from other funds		
Inventories		
Total Current Assets		
<u>Noncurrent Assets:</u>		
Restricted cash and cash equivalents	481,980	439,940
Capital assets:		
Land		463,058
Construction in progress	172,286	11,984
Equipment		
Less accumulated depreciation		
Total Noncurrent Assets	654,266	914,982
Total Assets	<u>\$ 654,266</u>	<u>\$ 914,982</u>
<u>Liabilities</u>		
<u>Current Liabilities:</u>		
Accounts payable	\$ 19,064	\$ 335,184
Accrued compensated absences		
Total Current Liabilities	19,064	335,184
<u>Noncurrent Liabilities:</u>		
TWDB bonds payable	635,202	579,798
Accrued compensated absences		
Total Noncurrent Liabilities	635,202	579,798
Total Liabilities	<u>654,266</u>	<u>914,982</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt		
Unrestricted		
Total Net Assets		
Total Liabilities and Net Assets	<u>\$ 654,266</u>	<u>\$ 914,982</u>

See Notes to Financial Statements.

Enterprise Funds		Governmental Activities - Internal Service Funds
Total		
\$		\$ 1,368,020
		365,699
		16,748
		34,076
		1,784,543
921,920		
463,058		
184,270		
		7,785,920
		(4,126,125)
1,569,248		3,659,795
\$ 1,569,248		\$ 5,444,338
\$ 354,248		\$ 94,379
354,248		94,379
1,215,000		
		44,181
1,215,000		44,181
1,569,248		138,560
		3,659,795
		1,645,983
		5,305,778
\$ 1,569,248		\$ 5,444,338

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City of Missouri City, Texas

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS

For the Year Ended June 30, 2004

	Governmental Activities - Internal Service Funds
<u>Operating Revenues</u>	
Charges for services	\$ 2,364,316
Miscellaneous reimbursements	9,912
Total Operating Revenues	<u>2,374,228</u>
<u>Operating Expenses</u>	
Cost of sales and services	2,147,056
Depreciation	752,378
Total Operating Expenses	<u>2,899,434</u>
Operating (Loss)	(525,206)
<u>Non-Operating Revenues (Expenses)</u>	
Investment earnings	9,427
(Loss) on disposal of capital assets	(49,002)
Total Non-operating Revenues (Expenses)	<u>(39,575)</u>
(Loss) Before Contributions and Transfers	(564,781)
Capital contributions - governmental funds	541,571
Transfers in	350,467
Transfers (out)	(506,779)
Change in Net Assets	(179,522)
Net assets, beginning	<u>5,485,300</u>
Net Assets, Ending	<u><u>\$ 5,305,778</u></u>

Note - Due to the developmental status of the wastewater treatment plants there is no activity to report in the Statement of Revenues, Expenses, and Changes in Fund Net Assets for Proprietary Funds.

See Notes to Financial Statements.

City of Missouri City, Texas

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Year Ended June 30, 2004

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Lower Oyster Creek Regional WWTP	Mustang Bayou Regional WWTP	Total	
<u>Cash Flows From Operating Activities</u>				
Receipts from customers and users	\$	\$	\$	\$ 3,700,330
Receipts from reimbursements				9,912
Disbursed for personnel services				(907,783)
Disbursed for goods and services to suppliers				(1,259,014)
Net Cash (Used) by Operating Activities				1,543,445
<u>Cash Flows From Noncapital</u>				
<u>Financing Activities</u>				
Transfer from other funds				371,967
Transfer (to) other funds				(528,279)
Net Cash (Used) by Noncapital Financing Activities				(156,312)
<u>Cash Flows From Capital and Related</u>				
<u>Financing Activities</u>				
Acquisition and construction of capital assets	(80,395)	(118,802)	(199,197)	(54,554)
Net Cash Provided by Capital and Related Financing Activities	(80,395)	(118,802)	(199,197)	(54,554)
<u>Cash Flows From Investing Activities</u>				
Interest received				9,427
Purchase of investments				(9,771,820)
Proceeds from disposition of investments	17,622	25,695	43,317	9,615,966
Net Cash Provided by Investing Activities	17,622	25,695	43,317	(146,427)
Net Increase (Decrease) in Cash and Cash Equivalents	(62,773)	(93,107)	(155,880)	1,186,152
Cash and cash equivalents, beginning of year	544,753	533,047	1,077,800	181,868
Cash and Cash Equivalents, End of Year	\$ 481,980	\$ 439,940	\$ 921,920	\$ 1,368,020

See Notes to Financial Statements.

City of Missouri City, Texas

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Year Ended June 30, 2004

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Funds</u>
	<u>Lower Oyster Creek Regional WWTP</u>	<u>Mustang Bayou Regional WWTP</u>	<u>Total</u>	
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities				
Operating income (loss)	\$	\$	\$	\$ (525,206)
Adjustments to reconcile operating income to net cash used by operating activities				
Depreciation				752,378
(Increase) decrease in account receivable				(13,986)
Decrease in due from others				1,350,000
(Increase) decrease in inventories				(11,487)
(Decrease) increase in accounts payable				(4,268)
(Decrease) increase in comp. absences payable				(3,986)
Total adjustments				2,068,651
Net Cash (Used) by Operating Activities	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,543,445</u>
Breakdown of Restricted and Unrestricted Cash and Cash Equivalents:				
Restricted for debt payments	\$ 481,980	\$ 439,940	\$ 921,920	\$
Unrestricted				1,368,020
Total	<u>\$ 481,980</u>	<u>\$ 439,940</u>	<u>\$ 921,920</u>	<u>\$ 1,368,020</u>

See Notes to Financial Statements.

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City of Missouri City, Texas
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2004

	<u>Agency Funds</u>
<u>Assets</u>	
Current Assets:	
Cash and cash equivalents	\$ 26,225
Investments	7,010
Receivables:	
Property taxes	117,809
Less: Allowance for estimated uncollectibles	<u>(2,437)</u>
Total Assets	<u><u>\$ 148,607</u></u>
<u>Liabilities</u>	
Due to others	<u><u>\$ 148,607</u></u>

See Notes to Financial Statements.

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City of Missouri City, Texas

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City of Missouri City, Texas

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Missouri City, Texas was incorporated March 12, 1956, and adopted the "Home Rule Charter" November 23, 1974, pursuant to the laws of the State of Texas. The City operates under a "Council-Manager" form of government and provides services authorized by its charter. Presently, these services include police and fire protection, drainage, building and code inspection, planning, zoning, engineering, street repair and maintenance, park maintenance, recreational activities for citizens, and general administrative services.

The financial statements of the City of Missouri City have been prepared in conformity with U. S. Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below:

A. Reporting Entity

The City is an independent political subdivision of the State of Texas, governed by an elected mayor and six-member council, and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The Missouri City Development Authority and Tax Incremental Reinvestment Zones 1 and 2, and Public Improvement Districts 2 and 3 have been included in the City's financial reporting. These legally separate entities are blended component units and are included as Special Revenue Funds of the City as indicated by GASB 14. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity. The City maintains all accounting records for the blended component units. Separate financial statements are not issued for the above mentioned blended component units.

The basic financial statements for the City of Missouri City include all activities, organizations and functions for which the City is financially accountable. The criteria considered include (1) whether the organization is part of the City's legal entity or (2) whether the City appoints the voting majority of the organization's governing body and either (a) the City is able to impose its will on the organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City. In addition, an organization may be financially dependent on the City and also included in its reporting entity. Those criteria are based upon and are consistent with those set forth in the Codification of Governmental Accounting Standards, Section 2100, Defining the Financial Reporting Entity. Based on these criteria, the various funds shown in the Table of Contents are included in the report, which include the blended component units noted above.

The blended component units include five entities that are so closely related to the City that they are, in effect, the same as the City. Included in this category are the Missouri City Development Authority, Tax Incremental Reinvestment Zones (TIRZ) 1 and 2, and Public Improvement Districts (PID) 2 and 3. These entities are reported as Special Revenue Funds. Specifically, all the members of Missouri City's governing body (City Council) serve as board members of the Development Authority Board and both Public Improvement Districts. The City Council appoints the majority of the directors of the Tax Incremental Reinvestment Zones. The City Council appoints six of the eight board members for TIRZ 1, and five of the seven board members for TIRZ 2. Contributions to the TIRZ's, in the form of incremental tax revenues, come from the City and Fort Bend County, whom can each appoint one board member.

City of Missouri City, Texas

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Fort Bend Independent School District elected not to join the TIRZ's. The boards of the zones/districts make recommendations to City Council regarding the administration of the zones/districts. The boards are not authorized to issue bonds, impose taxes or assess fees. The City approves the tax rate, and assumes obligation to finance deficits in the zones on a short-term basis until incremental improvements are made and the City Manager is authorized to hire consultants for the zones. Each of the above-mentioned component units almost exclusively benefits the City in that the development of these areas (economically depressed areas) increases the tax base, resulting in additional revenue to the City.

The City developed a regional wastewater treatment master plan to achieve economies of scale by requiring utility districts and new developments to share wastewater treatment plants. The first City operated wastewater treatment plant opened in December 1999 (see Note 15). Severn Trent Environmental Services, Inc., was contracted to operate the plant. Quail Valley Municipal Utility District has taken over the contract to operate the plant. The construction of the plant (two Capital Project Funds) and its operation (a Special Revenue Fund) are included in the City's reporting entity since the City establishes the budget and sets the rates to be paid by the MUD districts.

Presently, the City has eighteen (18) active municipal utility districts providing water and sewer services within the City and five inactive districts. These districts are not considered a part of the City's legal entity since they are not fiscally dependent on the City, have taxing powers and set their own budgets.

B. Financial Statement Presentation

These financial statements include implementation of Governmental Accounting Standards Board (GASB) Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.

Certain of the significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and changes in financial position.
- Government-wide financial statements prepared using the accrual basis of accounting for all of the City's governmental and business type activities.
- Fund financial statements focusing on the major funds.

Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net assets and a statement of activities. It requires the reclassification of net assets into three components: invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through contractual provisions or enabling legislation.

City of Missouri City, Texas

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

- Unrestricted net assets – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information about the City as a whole. These statements include all nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use of directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements or a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

In September 1993, the Governmental Accounting Standards Board issued Statement No. 29, “Accounting and Financial Reporting for Proprietary funds and Other Governmental Entities That Use Proprietary Fund Accounting” which are effective for the City’s financial statements for the year ending June 30, 2003. This statement provides guidance on accounting and financial reporting for business type and enterprise fund activities. The City has elected alternative number one (1) from those provided by this standard. This alternative method elects to apply all GASB pronouncements as well as FASB pronouncements that were issued after November 30, 1989.

D. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the

City of Missouri City, Texas

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, franchise taxes, license, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. The General Fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues of the general fund are property taxes, sales and use taxes, franchise fees, permit fees, and fines and forfeitures. Expenditures are for general government, finance, public safety, public works, park maintenance and recreation, planning and zoning, and engineering.

The Debt Service Fund accounts for the resources accumulated and payment made for principal and interest on long-term general obligation debt of governmental funds. The primary source of revenue for debt service is property taxes.

The Metro Capital Projects Fund and the Bond Fund are used to account for the proceeds from the sale of general obligation bonds and certificates of obligation and expenditures of these proceeds for the acquisition of capital assets as designated in each bond issue.

The government reports the following major proprietary funds:

Lower Oyster Creek Regional Wastewater Treatment Plant Fund accounts for the provision of wastewater treatment services to the municipal utility districts in the Lower Oyster Creek area. The fund also accounts for the accumulation of resources for and the payment of long-term principal and interest for the related debt. All costs will be financed through user fees.

Mustang Bayou Regional Wastewater Treatment Plant Fund accounts for the provision of wastewater treatment services to the municipal utility districts in the Mustang Bayou area. The fund also accounts for the accumulation of resources for and the payment of long-term principal and interest for related debt. All costs will be financed through user fees.

Additionally, the government reports the following fund types:

Internal Service Funds account for fleet management services, information technology services, building maintenance services, fleet asset replacement and information technology asset replacement provided to other City departments and functions of the government on a cost reimbursement basis.

The Agency Funds are used to account for municipal court bond deposits and tax collections for Houston Community College. This fund is custodial in nature and does not involve measurement of results of operations.

City of Missouri City, Texas

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

E. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Open encumbrances are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Encumbrances outstanding at year-end are appropriately provided for in the subsequent year's budget.

F. Cash and Cash Equivalents

Cash and cash equivalents consist of amounts in a demand account, money market mutual fund, petty cash funds, Texas Local Government Investment Pool (TEXPOOL), the Local Government Investment Cooperative (LOGIC) and short-term investments with maturities of three months or less. Both Texpool and Logic are external investment pools established by interlocal contracts under state law. Investments and securities are booked at cost and amortized monthly to reach par at maturity. Investments are generally held to maturity.

The City pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments. The City pools excess cash of the various individual funds to purchase investments. These pooled investments are reported in the combined balance sheet as investments in each fund based on each fund's share of the pooled investments. Interest income is allocated to each respective individual fund monthly based on its respective share of pooled investments.

For the purpose of the Statement of Cash Flows, the City considers all investments with original maturities of three months or less from the date of acquisition to be cash equivalents.

G. Receivables

The City records certain revenues billed to other governmental agencies, residents, and others on a monthly basis. Adjustments to revenue are made for uncollectible accounts as needed. At June 30, 2004 an allowance of \$276,838, was provided for possible adjustments for uncollectible accounts.

H. Interfund Receivables and Payables

During the course of operations, transactions occur between individual funds for specified purposes. These receivables and payables are, for the most part, eliminated from the government-wide Statement of Net Assets and are classified as "due from other funds" or "due to other funds" in the fund financial statements.

I. Inventory

Inventory, which consists of gasoline and parts for use in the City's vehicles, is stated at cost (first-in, first-out method). Expenditures are recognized as the fuel and parts are used.

City of Missouri City, Texas

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure items, are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Infrastructure is not held to the \$5,000 limit; all infrastructure is capitalized regardless of cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The City plans to phase in the value of infrastructure related to streets acquired prior to July 1, 2002, over the next year. Therefore, these statements do not include amounts in capital assets related to historical or estimated cost or amounts related to depreciation on any of the City's streets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects as constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the City of Missouri City during the current fiscal year was \$1,436,027. Of this amount, \$40,690 was capitalized and included as part of the cost of capital assets under construction in connection with wastewater treatment facilities construction projects.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings	50 years
Building improvements	20 years
Public domain infrastructure	50 to 65 years
System infrastructure	20 to 65 years
Vehicles	4 to 20 years
Machinery and equipment	10 years
Computer equipment	5 years

K. Compensated Absences

Compensated absences, which include unpaid vacation and other employee benefit amounts, are accumulated during employment. Amounts accumulated are paid to employees upon separation from City service. At June 30, 2004, all amounts accrued for compensated absences have been included as liabilities in the Government-wide Statement of Net Assets and as designated fund balances in the fund that pays the unpaid vacation and other employee benefits. Employees earn vacation leave at the rate of ten days per year from one to five years and up to sixteen days per year for service of fifteen years or more. Police and Fire employees, as defined under Section 142.010 of the Texas Local Government Code, receive fifteen days vacation after one full year of employment and sixteen days vacation for fifteen years and over. The maximum accrual an employee may maintain is two times the annual rate. City employees receive eleven paid holidays per year. Employees may be paid or may elect to receive

City of Missouri City, Texas

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

compensatory time off for the holiday. Overtime is earned at one and one-half times the regular rate of pay. Employees may be paid or receive compensatory time. The maximum accrual for holiday and overtime is 120 hours.

L. Long-term Obligations

The government-wide financial statements and proprietary fund type fund financial statements report long-term debt and other long-term obligations as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable bond premiums or discounts and bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

The fund financial statements report bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources, net of issuance costs. Premiums or discounts associated with the debt are reported as other financing uses.

M. Fund Equity

In the fund financial statements of the governmental funds the City reserves or designates all or portions of fund equity in the various governmental fund financial statements. Reserves of fund equity represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designations of fund equity represent tentative plans for future use of financial resources.

N. Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

O. Reclassifications

Certain reclassifications to prior year balances have been made to conform to current year presentation. Such reclassifications have had no effect on the excess of revenues over expenditures.

P. Indirect Expense Allocations

It is the policy of the City not to allocate indirect expenses to the various functions in the Government-wide Statement of Activities.

Q. Restricted Resources

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

City of Missouri City, Texas

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental funds as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, certification of obligation payable, and post employment benefits, are not due and payable in the current period and are therefore not reported in the funds.”

The details of this \$38,617,124 are as follows:

Bonds payable	\$ 29,725,000
Certificate of obligations payable	7,935,000
Accrued interest payable	51,916
Compensated absences - governmental funds	<u>873,358</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u><u>\$ 38,585,274</u></u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense.” The detail of this \$1,136,162 difference is as follows:

Capital outlay	\$ 2,424,789
Depreciation expense	<u>(1,288,627)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ 1,136,162</u></u>

Another element of that reconciliation states “The issuance of long-term debt (i.e., bonds, certificates of obligation, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

City of Missouri City, Texas

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

The details of this \$6,752,018 are as follows:

Debt issued:		
Issuance of general obligation bonds	\$	7,970,000
Issuance of certificates of obligation		1,500,000
Principal repayments:		
General obligation debt		(1,575,000)
Certificates of obligation		(1,125,000)
Capital leases		(17,982)
		<hr/>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	\$	<u><u>6,752,018</u></u>

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets are adopted for all funds annually. Annual budgets are adopted for the General, certain Special Revenue, Debt Service, Enterprise, and Internal Service Funds. The City adopts project budgets for Capital Projects Funds, which are revised annually.

These budgets are created by ordinance and include all sources and uses of funds as approved by Council. All annual budgets are prepared on a budgetary basis that differs from GAAP. In accordance with the City's Charter, budgetary expenditures in governmental funds include encumbrances outstanding at year-end.

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. The City Council made several supplementary budgetary appropriations, which were not considered material, throughout the year.

Encumbrance accounting is utilized in all governmental fund types. Any encumbered appropriation does not lapse at year-end and is included in budgetary expenditures for budget comparison purposes. In the current year, General Fund budgetary expenditures were \$220,858 less than for GAAP as a result of this inclusion of encumbrances for budgetary reporting purposes. Encumbrances for materials, other goods, and purchased services are documented by purchase orders or contracts. Encumbrances outstanding at year-end do not constitute expenditures or liabilities under GAAP. The City honors these commitments and records GAAP expenditures in the subsequent year as the transactions are completed. At year-end, the City reserved a portion of fund balance for outstanding encumbrances of \$191,128 in the General Fund, \$649,777 in the Special Revenue Funds, and \$1,264,078 in the Capital Projects Funds.

The City's Charter contains the following budgeting requirements:

The City Manager, on or before the first day of June of each year, shall submit to Council a proposed budget. The Council shall review the proposed budget and revise as deemed appropriate prior to circulation for public hearing.

City of Missouri City, Texas

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

After the public hearing, the Council may adopt the budget with or without amendment. In amending the budget, Council may add or increase programs or amounts and may delete or decrease any amount, except expenditures required by law or for debt or for estimated cash deficits, provided no amendments to the budget shall increase the authorized expenditures to an amount greater than the total of estimated income plus funds available from prior years.

The Council shall adopt the budget by the 25th of June of each year. Adoption of the budget shall constitute appropriation of the amounts specified therein as expenditures and shall constitute a levy of the property tax therein proposed.

Encumbered appropriations do not lapse at year-end and are included in budgetary expenditures. Budgetary expenditures may not legally exceed appropriations at the department level. Department heads are authorized to transfer budgeted amounts within a department. At any time during the fiscal year, the City Manager may transfer part or all of any unencumbered appropriation among programs within a department and may request Council to transfer by ordinance any unencumbered appropriation balance between departments.

Transfers out in the General Fund exceeded budgetary appropriations during the year by \$55,303 due to increased property valuations, which were collected for TIRZ 1 and 2. No significant supplemental appropriations were made during the year.

The Fleet Maintenance Internal Service Fund had a deficit net assets balance of \$28 as of June 30, 2004, due to charges for services being inadequate to cover expenses.

NOTE 4 - DEPOSITS AND INVESTMENTS

The City's cash and investments are classified as cash and cash equivalents and investments. The cash and cash equivalents include cash on hand, deposits with financial institutions, short-term investments in external public funds investment pool accounts (LOGIC) and (TEXPOOL), and other investments, which have maturities at purchase date of less than three months. The investments, which have maturities at purchase date of greater than three months, consist mainly of commercial paper and US government obligations. For better management of cash, the City pools the cash, based on the City's needs, into deposits in the bank, in short term investments with LOGIC and TEXPOOL, or in longer-term investments in commercial paper or US Government securities. However, each fund's balance of cash and investments is maintained in the books of the City.

The Council has adopted a written investment policy regarding the investment of its funds as defined by the Public Funds Investment Act (Chapter 2256 Texas Government Code). The investments of the City are in compliance with the Council's investment policies. It is the City's policy to restrict its investments to direct obligations of the U.S. Government, commercial paper, fully collateralized certificates of deposit and other interest-bearing time and demand deposits, and other instruments and investments in public funds investment pools such as the Local Government Investment Cooperative (LOGIC) and Texas Local Government Investment Pool (TEXPOOL).

Cash and Cash Equivalents

The City's deposits are maintained under the provisions of a depository contract as a cash concentration account for use by all City funds. All receipts of City funds are deposited into a money market mutual fund account, and the depository bank transfers funds to a separate demand deposit checking account as checks are posted. The City

City of Missouri City, Texas

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

bids out excess funds as necessary and awards the bid to the institution or agency offering the highest interest rate. Brokers/dealers must complete a questionnaire, submit financial statements, and be approved by City Council before being accepted to bid on investments of excess City funds.

At year-end, the City had cash on hand, bank deposits, deposits with LOGIC and TexPool, and investments with maturities of 3 months or less at date of purchase as follows:

Fund	Cash on Hand	Bank Deposits	Cash Equivalent Investments	Total
General	\$ 4,215	\$ 832,811	\$ 4,320,116	\$ 5,157,142
Special Revenue		215,311	1,116,906	1,332,217
Debt Service		255,566	1,325,721	1,581,287
Capital Projects		2,133,907	11,069,420	13,203,327
Enterprise		921,920		921,920
Internal Service		221,098	1,146,922	1,368,020
Fiduciary		4,238	21,986	26,224
	<u>\$ 4,215</u>	<u>\$ 4,584,851</u>	<u>\$ 19,001,071</u>	<u>\$ 23,590,137</u>

Credit Risk Categorization for Deposits

Collateral is required for all bank deposits at 100% of deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts. Collateral pledged to cover the City's deposits is required to be held in the City's name by the trust department of a bank other than the pledging bank (the City's agent). Collateral securities must bear a Baa-1 or better rating to qualify for use in securing uninsured depository balances. Deposits at year-end are representative of the types of deposits maintained by the City during the year.

The City's deposits in banks of \$4,584,851 at year-end were entirely covered by federal depository insurance or by acceptable collateral held by the City's agent in the City's name.

Investments

Under provisions of state and local statutes, the City's investment policies, and provisions of the City's depository contracts with the area financial institutions, the City is authorized to place available deposits and investments in the following:

1. Obligations of the U. S., its agencies, and instrumentalities,
2. Direct obligations of the State of Texas or its agencies,
3. Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.

City of Missouri City, Texas

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

4. Other obligations, the principal and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the State of Texas or the United States or their agencies and instrumentalities,
5. Obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to the investment quality by a nationally recognized investment firm and having received a rating of not less than A or its equivalent.
6. Certificates of Deposit issued by state and national banks or savings and on associations domiciled in this state that are:
 - guaranteed or insured by the Federal Deposit Insurance Corporation; or
 - secured by obligations that are described in 1-5 above, which are intended to include all direct federal agency or instrumentality issued mortgage backed securities that have a market value of not less than the principal amount of the certificates or in any other manner and amount provided by law for deposits of the investing entities.
7. Certificates of Deposit and share certificates issued by a state or federal credit union domiciled in the State of Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in 1 through 5 above in any other manner and amount provided by law for City deposits.
8. Fully collateralized repurchase agreements having a defined termination date, secured by obligations of the United States, its agencies or instrumentalities, pledged with a third party selected or approved by the political entity, and placed through a primary government securities dealer, as defined by the Federal Reserve, or through a financial institution domiciled in the State of Texas.
9. Prime domestic banker's acceptances, defined as a banker's acceptance with a remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or equivalent by at least one nationally recognized credit rating agency.
10. Commercial paper that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or State bank.
11. SEC-registered no-load money market mutual fund (MMMF), with a dollar weighted average portfolio maturity of 90 days or less, includes in their investment objectives the maintenance of a stable net asset value of \$1 for each share.
12. SEC-registered, no-load money market mutual funds (MMMF) that have an average weighted maturity of less than two years, invests exclusively in obligations described above and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of no less than AAA or its equivalent.
13. Authorized government investment pools that invest solely in obligations of any of the above investments provided that the pools are rated no lower than Aaa or AAA or an equivalent by at least one nationally recognized rating service.

City of Missouri City, Texas

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

All significant legal and contractual provisions for investments were complied with during the year. Investments at year-end are representative of the types of investments maintained by the City during the year.

The City's investments at year-end are summarized below and have been classified in credit risk categories. Credit risk categories are as follows:

1. Insured or registered, or securities held by the City or its agent in the City's name,
2. Uninsured and unregistered, with securities held by the counter-party's trust department or agent in the City's name,
3. Uninsured and unregistered, with securities held by counter-party, or by its trust department or agent but not in the City's name.

	Category	Reported Amount/ Fair Value
U.S. Government Agency Notes	1	\$ 5,987,839
Investments not Subject to Categorization:		
Money Market Fund	N/A	3,859,771
TexPool	N/A	11,287,837
LOGIC	N/A	7,491,546
Total Investments		28,626,993
Investments classified as cash equivalents		(22,568,463)
Total Investments per Balance Sheet		<u><u>\$ 6,058,530</u></u>

The U.S. government securities were purchased through a broker/dealer and held for safekeeping by the City's depository bank (independent agent), registered for the account of Missouri City. The City generally holds all investments to maturity date. The City had no derivative investment products during the current year. The City did not have any reverse repurchase or repurchase agreement transactions. Fair values of investments are based on quoted market prices. The investments are reported by the City at fair values determined by quoted market prices.

The money market mutual fund is an open-ended mutual fund, which invests solely in U.S. Treasury securities. The mutual fund's assets consist only of securities scheduled to mature within 13 months or less from date of acquisition. The fund maintains a dollar-weighted average portfolio maturity of 90 days or less. In addition, the fund seeks to maintain a net asset value of \$1 per share.

The Local Government Investment Cooperative (LOGIC) amount of \$7,491,546, and the Texas Local Government Investment Pool (TexPool) amount of \$11,287,837 are not evidenced by securities that exist in physical or book entry form and, accordingly, are not categorized by risk. However, the nature of these funds requires that they be used to purchase investments authorized by the Public Funds Investment Act. The primary objective of these investment pools is to provide a safe environment for the placement of public funds in short-term, fully collateralized investments.

The State of Texas exercises oversight responsibility over LOGIC and TexPool in accordance with state laws and the Public Funds Investment Act. This external pools operate in a manner consistent with SEC Rule 2a7 of the

City of Missouri City, Texas

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Investment Company Act of 1940. Net assets are reported using amortized cost rather than market value in computing share price. In accordance with LOGIC and TexPool management policies, the net asset value will always be between .9965 and 1.0035. Accordingly, the fair value of the City's position in the pool is the same as the value of the shares in the pool.

NOTE 5 - PROPERTY TAXES

Property taxes for each year are levied on approximately August 1 and are due upon receipt of the City's tax bill and become delinquent on February 1 of the following year. On January 1 of each year, a tax lien is attached to the property to secure the payment of all taxes, penalties, and interest. The lien exists in the favor of the State and each taxing unit. Appraised values are established by the Fort Bend Central Appraisal District (CAD), through procedures established by the Texas Legislature. The City bills and collects its own property taxes. The City bills its tax levies as soon as possible after certification of taxable values by the CAD, which is approximately August 1 as noted above. Additional tax bills are sent in December, February, April, and July (which includes a surcharge for legal costs associated with collection). In August, delinquent taxes are turned over to the City's delinquent tax attorneys for final collection or other disposition.

The City is permitted, by Article XI, Section 5, of the State of Texas Constitution and the City Charter, to levy property taxes up to \$2.50 per \$100 of assessed valuation for general governmental services. Within the \$2.50 maximum levy, there is no legal limit upon the amount of property taxes, which can be levied for debt service. The property tax rates to finance general governmental services and debt service for the 2003-04 fiscal year were \$.35433 and \$.15567 respectively, per \$100 of assessed valuation. The 2003 assessed value and total tax levy as adjusted through June 30, 2004, were \$3,061,244,819 and \$15,568,634 respectively.

The allowance for uncollectible tax accounts for 2004 is estimated at \$71,073.

The following is an analysis of the June 30, 2004, delinquent tax balances in the General and Debt Service Funds, by year of levy.

Tax Year	General Fund	Debt Service Fund	Total
2003	\$ 479,790	210,414	\$ 690,204
2002	128,701	52,160	180,861
2001	54,196	21,244	75,440
2000	24,563	10,666	35,229
1999	14,201	6,763	20,964
1998 and prior	42,161	25,503	67,664
	<u>\$ 743,612</u>	<u>\$ 326,750</u>	<u>\$ 1,070,362</u>

City of Missouri City, Texas

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 6 – RECEIVABLES

Receivables as of year-end for the government's individual major and nonmajor funds, and internal service funds, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Metro Capital Projects</u>	<u>Bond Fund</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:						
Taxes	\$ 743,612	\$ 326,750	\$	\$	\$	\$ 1,070,362
Accounts	1,304,529					1,304,529
Other	389,434		281,096	8,801	248,706	928,037
Gross receivables	2,437,575	326,750	281,096	8,801	248,706	3,302,928
Less: allowance for uncollectibles	(255,744)	(21,094)				(276,838)
Net Total Receivable	<u><u>\$ 2,181,831</u></u>	<u><u>\$ 305,656</u></u>	<u><u>\$ 281,096</u></u>	<u><u>\$ 8,801</u></u>	<u><u>\$ 248,706</u></u>	<u><u>\$ 3,026,090</u></u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable - general fund	\$ 716,103	\$
Delinquent property taxes receivable - debt service fund	305,656	
Court security fees		138
Total Deferred Revenue for Governmental Funds	<u><u>\$ 1,021,759</u></u>	<u><u>\$ 138</u></u>

City of Missouri City, Texas

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 7 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2004:

	Balance July 1, 2003	Increases	(Decreases)	* Balance June 30, 2004
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 9,763,630	\$ 65,390	\$	\$ 9,829,020
Construction in progress	364,213	1,759,438	(170,596)	1,953,055
Total capital assets not being depreciated	10,127,843	1,824,828	(170,596)	11,782,075
Capital assets being depreciated:				
Buildings	17,080,389	6,762		17,087,151
Improvements other than buildings	3,409,471			3,409,471
Infrastructure	18,678,134	769,100		19,447,234
Machinery and equipment	8,751,549	698,647	(409,875)	9,040,321
Total capital assets being depreciated	47,919,543	1,474,509	(409,875)	48,984,177
Less accumulated depreciation for:				
Buildings	(2,781,777)	(328,014)		(3,109,791)
Improvements other than buildings	(1,049,728)	(183,091)		(1,232,819)
Infrastructure	(3,736,485)	(683,003)		(4,419,488)
Machinery and equipment	(4,514,765)	(846,897)	253,045	(5,108,617)
Total accumulated depreciation	(12,082,755)	(2,041,005)	253,045	(13,870,715)
Total capital assets being depreciated, net	35,836,788	(566,496)	(156,830)	35,113,462
Governmental activities capital assets, net	\$ 45,964,631	\$ 1,258,332	\$ (327,426)	\$ 46,895,537
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$	\$ 463,058	\$	\$ 463,058
Construction in progress	93,313	90,957		184,270
Business-type activities capital assets, net	\$ 93,313	\$ 554,015	\$	\$ 647,328

* - Includes capital assets and accumulated depreciation recorded in the City's internal service funds as shown below:

Fleet Asset Replacement Fund-net of accumulated depreciation of \$3,099,175	\$ 2,729,685
MIS Asset Replacement Fund-net of accumulated depreciation of \$1,026,950	930,110
	<u>\$ 3,659,795</u>

City of Missouri City, Texas

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Depreciation was charged to functions of the primary government as follows:

Governmental Activities:

General government	\$	104,383
Finance		58,338
Police		343,507
Fire		239,220
Public works		992,108
Parks and recreation		243,308
Planning		60,141
Total Depreciation Expense-Governmental Activities	\$	2,041,005

Construction in progress for the various projects and remaining commitments under these construction contracts June 30, 2004, are as follows:

Project Description	Total In Progress	Remaining Commitment
Governmental Activities:		
First Colony trail design	\$ 28,332	\$ 3,875
Fire station #2	19,652	77,012
Vehicle wash facility	12,000	38,500
Buffalo Run Park	190,567	89,331
GCWA trail	3,238	31,100
Bridge rehabilitation projects	137,189	590,912
Oyster Creek drainage	1,448,458	124,687
Willow water detention pond	103,986	
Cangelosi detention facility drainage	1,133	9,668
Mustang Bayou drainage	8,500	44,088
Totals	\$ 1,953,055	\$ 1,009,173
Business-type Activities:		
Lower Oyster Creek	\$ 172,286	\$ 462,916
Mustang Bayou	11,984	104,756
Totals	184,270	567,672

City of Missouri City, Texas

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 8 – LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

Certificates of Obligation and General Obligation Bonds

The following is a summary of general obligation bonds and certificates of obligation outstanding as of June 30, 2004:

<u>Series</u>	<u>Original Issue</u>	<u>Matures</u>	<u>Interest Rate (%)</u>	<u>Debt Outstanding</u>
Governmental Activities:				
General Obligation Bonds				
Series 1995 permanent improvement bonds	\$ 8,750,000	2012	4.5-6.5	\$ 5,470,000
Series 1997 permanent improvement bonds	8,000,000	2014	4.5-6.2	6,475,000
Series 1998 permanent improvement refunding	5,200,000	2016	3.7-4.65	3,475,000
Series 2001 permanent improvement refunding	7,735,000	2018	4.25-6.25	6,335,000
Series 2004 permanent improvement	7,970,000	2024	4.3-5.0	7,970,000
Total General Obligation Bonds				<u>\$ 29,725,000</u>
Certificates of Obligation				
Series 1997 certificates of obligation	\$ 1,000,000	2006	4.5-6.5	\$ 300,000
Series 1998 certificates of obligation	3,000,000	2016	3.8-4.65	2,350,000
Series 2001 certificates of obligation	2,160,000	2018	3.5-5.5	1,335,000
Series 2002 certificates of obligation	3,000,000	2008	2.5-4.5	2,450,000
Series 2004 certificates of obligation	1,500,000	2024	4.3-5.0	1,500,000
Total Certificates of Obligation				<u>\$ 7,935,000</u>
Total Governmental Activities				<u>\$ 37,660,000</u>
Business-type Activities:				
Series 2003 certificates of obligation	\$ 1,215,000	2024	.85-4.2	\$ 1,215,000
Total Business-type Activities				<u>\$ 1,215,000</u>

City of Missouri City, Texas

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

The annual requirements to amortize all certificates of obligation outstanding as of June 30, 2004 are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2005	\$ 1,315,000	\$ 305,259	\$ 40,000	\$ 40,090
2006	1,430,000	250,829	45,000	39,920
2007	1,055,000	198,954	45,000	39,480
2008	860,000	166,691	45,000	38,839
2009	250,000	141,404	50,000	38,018
2010-2014	1,420,000	552,727	270,000	170,460
2015-2019	1,105,000	240,462	325,000	123,290
2020-2024	500,000	77,082	395,000	59,346
	<u>\$ 7,935,000</u>	<u>\$ 1,933,408</u>	<u>\$ 1,215,000</u>	<u>\$ 549,443</u>

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2004 are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2005	\$ 1,905,000	\$ 1,417,171
2006	1,860,000	1,273,535
2007	1,950,000	1,173,635
2008	2,205,000	1,072,443
2009	2,300,000	967,218
2010-2014	11,290,000	3,263,900
2015-2019	5,595,000	1,300,008
2020-2024	2,620,000	402,040
	<u>\$ 29,725,000</u>	<u>\$ 10,869,950</u>

There is \$2,002,045 available in the Debt Service Fund to service the above obligations.

The principal and interest on the general obligation bonds and certificates of obligation are payable solely from property taxes levied on taxable property within the City of Missouri City, Texas. The City is in compliance with all significant limitations and restrictions contained in the various bond ordinances.

In May 2004, the City issued \$1.5 million in certificates of obligation, with interest rates ranging from 4.3% - 5.0%, to finance the construction of a water supply plant. Also in May 2004, the City issued \$7,970,000 in permanent improvement bonds, with interest rates ranging from 4.3% - 5.0%, to finance various capital improvement projects.

City of Missouri City, Texas

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2004, was as follows:

	Balance July 1, 2003	Additions	Reductions	Balance June 30, 2004	Amounts Due within One Year
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 23,330,000	\$ 7,970,000	\$ (1,575,000)	\$ 29,725,000	\$ 1,905,000
Certificates of obligation	7,560,000	1,500,000	(1,125,000)	7,935,000	1,315,000
Total bonds payable	30,890,000	9,470,000	(2,700,000)	37,660,000	3,220,000
Capital leases	20,188		(20,188)		
Compensated absences	908,696	792,957	(784,114)	917,539	
Total Governmental Activities	<u>\$ 31,818,884</u>	<u>\$ 10,262,957</u>	<u>\$ (3,484,114)</u>	<u>\$ 38,577,539</u>	<u>\$ 3,220,000</u>
Business-type Activities:					
Certificates of obligation	\$ 1,215,000	\$	\$	\$ 1,215,000	\$ 40,000
Total Business-type Activities	<u>\$ 1,215,000</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,215,000</u>	<u>\$ 40,000</u>

Internal service funds serve the governmental funds. Accordingly, long-term liabilities for the internal service funds are included as part of the above totals for governmental activities. At year-end, \$44,181 of internal service fund compensated absences are included in the above amounts.

Federal Tax Compliance (Arbitrage) for Long-term Debt

In accordance with provisions of Section 148 of the Internal Revenue Code of 1986, as amended, (the "Code") the City's long-term debt obligations must meet certain minimum criteria to be considered and continue to be considered "tax exempt." This "tax exempt" status means that interest income earned by purchasers of the City's long-term debt instruments is not subject to federal income taxes. Related Treasury Regulations promulgated under section 148 of the Code generally provide that the determination of whether these obligations are tax exempt is made as of the date such obligations are issued based on a reasonable expectations regarding the use of the proceeds of the bonds issued. Long-term debt that does not meet and continue to meet the minimum criteria of Section 148 of the Code and the related Treasury Regulations described above are considered "arbitrage bonds" and are not considered "tax exempt" as described above.

Rebate

Obligations will become arbitrage bonds (as described above) if certain arbitrage profits are not paid to the federal government as rebate under section 148(f) of the Code. The City's obligations to calculate and make rebate payments (if any) will continue as long as there are gross proceeds allocable to outstanding debt issues. The City has performed calculations required under section 148(f) of the Code and has no present liability nor has the City ever been required to make rebate payments for issued debt in past years.

City of Missouri City, Texas

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Unexpended Debt Issuance Proceeds (Yield Restriction Requirements)

Section 148 of the Code also provides that in order for debt not to be considered arbitrage bonds (as described above), proceeds of such debt must be invested at a yield that is not materially higher than the yield on the debt issued starting on the third anniversary of the issue date of such debt. Accordingly, any unexpended proceeds of debt issued by the City that remain unexpended more than three years after such debt was issued should be yield restricted. The yield restriction may be accomplished by making yield reduction payments pursuant to Treas. Reg. Section 1.148-5(c). The City presently has unexpended proceeds from certain debt issues that require yield restriction as described above. The City is currently in compliance with these yield restriction requirements and does not anticipate associated significant noncompliance issues. The City is continuing to proceed with reasonable diligence to expend any remaining unexpended debt issuance proceeds on qualifying projects or to retire related debt issues still outstanding.

NOTE 9 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The following is a summary of interfund balances as of June 30, 2004:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>
Due to/from primary government:		
General Fund	Nonmajor Governmental Funds	<u>\$ 66,430</u>

Amounts booked as due to/from are considered to be temporary loans and will be repaid during the following fiscal year.

For the year ended June 30, 2004, interfund transfers consisted of the following:

<u>Transfers Out</u>	<u>Transfers In</u>			<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Internal Service Funds</u>	
General Fund	\$	\$ 102,348	\$ 532	\$ 102,880
Debt Service Fund		22,420		22,420
Metro Fund		640,000		640,000
Nonmajor Governmental Funds	570,435	70,132		640,567
Internal Service Funds	156,844		371,435	528,279
Total Transfers Out	<u>\$ 727,279</u>	<u>\$ 834,900</u>	<u>\$ 371,967</u>	<u>\$ 1,934,146</u>

NOTE 10 - FUND EQUITY

The City has designated General Fund and Special Revenue Fund equity in the amounts of \$855,800 and \$17,558, respectively, at June 30, 2004, for retirement of accrued compensated absences.

The City has reserved its Debt Service Fund equity at June 30, 2004, for retirement of long-term indebtedness.

City of Missouri City, Texas

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

The City's Capital Project Fund equity of over \$16.7 million at June 30, 2004, will be used in subsequent years for capital improvement projects.

NOTE 11 – DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The plan's trust arrangements are established to protect deferred compensation amounts of employees under the plan from any other use than intended under the plan (eventual payment to employees deferring the compensation) in accordance with federal tax laws. Amounts of compensation deferred by employees under plan provisions are disbursed monthly by the City to a third party administrator. The third party administrator handles all funds in the plan and makes investment decisions and disburses funds to employees in accordance with plan provisions.

The market value of plan assets held and administered by the plan's third party administrator were \$3,572,503 and \$2,846,782 at June 30, 2004 and 2003, respectively.

NOTE 12 - PENSION PLAN

Plan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), one of 794 administered by TMRS, an agent multiple-employer public employee retirement system.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant as often as annually another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions, accumulated with interest, if the current employee contribution rate and City matching percent had always been in existence; and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions, with interest, and the employer-financed monetary credits, with interest, were used to purchase an annuity.

Members can retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

The contribution rate for the employees is 7% and the City matching ratio is currently 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate

City of Missouri City, Texas

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective.

Contributions

The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year open amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect. (i.e. December 31, 2003 valuation is effective for rates beginning January 2005).

Because the actuary determines contribution rates on an annual basis and the City pays the calculated rate each month, the City will always have a net pension obligation (NPO) of zero at the beginning and end of the period, and the annually required contributions (ARC) will always equal contributions made.

A schedule of funding progress for TMRS for the three most recent actuarial valuations may be found in the required supplementary information section of the City's Comprehensive Annual Financial Report.

All assumptions for the December 31, 2003 valuations are contained in the 2003 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153. The following is a summary of the actuarial assumptions:

Actuarial Cost Method	Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	25 Years - Open Period
Asset Valuation Method	Amortized Cost
Actuarial Assumptions:	
Investment Rate of Return	7%
Projected Salary Increases	None
Includes Inflation At	None
Cost-of-Living Adjustments	None

NOTE 13 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's risk management program mainly encompasses obtaining property and liability insurance through Texas Municipal League (TML-IRP), an Intergovernmental Risk-Pool and through commercial insurance carriers. The City purchases commercial general insurance through the Texas Municipal League, an unincorporated association of political subdivisions of the State of Texas. This policy encompasses general liability, incidental, medical malpractice, automobile liability, law enforcement liability, errors and omissions liability, property, automobile vehicle liability, and damages with limits of liability for each occurrence at \$3,000,000. The City has not had any significant reduction in insurance coverage, and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years. The participation of the City in the TML-IRP is limited to payment of premiums.

City of Missouri City, Texas

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Workers' Compensation

The City is a member of the Texas Municipal League (TML) Workers' Compensation Intergovernmental Risk Pool, an unincorporated association of political subdivisions of the State of Texas. The fund contracts with a third party administrator for administration, investigation, and adjustment services in the handling of claims. Premiums are based on the estimated City payroll by risk factor and rates. The premiums are adjusted by the City's experience modifier. All loss contingencies, including claims incurred but not reported, if any, are recorded and accounted for by the TML Pool. The City's liability is limited to payment of premiums as assessed by TML.

The City pays unemployment insurance claims filed by former employees on an actual reimbursement basis. The Texas Workforce Commission determines individual claim eligibility and bills the City for each eligible claim made. The City contracts with a third party, R. E. Harrington, Inc., to administer its unemployment insurance/compensation program.

Long-Term Disability

The City provides long-term disability coverage for all full-time employees through Fort Dearborn Life Insurance Company. The City pays the entire amount of the premiums. After a 90-day waiting period, employees who become disabled through injury or sickness may receive 66-2/3% of basic monthly earnings, not to exceed maximum benefit less other income benefits.

Health/Dental/Life Insurance Plan

The City provides medical insurance, prescription card, dental, vision and life insurance programs for City employees. The City contracts with Humana Health Plan of Texas, with employees offered various choices of coverage depending upon the amount they wish to contribute to the plan. The City also provides life insurance equal the employee's salary to a maximum of \$50,000 through Fort Dearborn Life Insurance Company.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Sick Leave

Employees are credited with sick leave at the rate of one day per month with no maximum accumulation, one-half of which is set aside for major illness each year. Regular sick days may be used for ordinary sick days, caring for relatives, and doctor's appointments. Unused sick leave is credited to the major illness accumulation at the end of the year. Employees do not receive any pay or other compensation either for, or in lieu of, accrued sick leave time upon any type of employment termination except for retirement. Upon meeting retirement qualifications and retiring from the City, employees will be paid 25% of accumulated major illness sick leave exceeding sixty days up to a total of thirty days.

The unrecorded contingency associated with all accumulated sick leave of City employees at June 30, 2004 is approximately \$2.335 million.

City of Missouri City, Texas

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Other Post Employment Benefits

In addition to pension benefits, retired employees who were at least sixty-five years of age at the time of retirement from the City and who have had at least ten years of service with the City shall be provided medical and dental coverage by the City to the extent and subject to the conditions of such coverage that is provided to non-retired employees of the City. This coverage for retired employees is provided through City ordinance. The City funds premiums to its health insurance plan for eligible retirees in the same manner as it funds similar premiums for current employees on a pay-as-you-go basis.

The costs of providing these benefits and number of retired employees are as follows:

<u>Total Cost</u>	<u>City's Cost</u>	<u>Emp/Dep Coverage Cost</u>	<u>Number of Retired Employees</u>
\$ 100,249	\$ 41,231	\$ 59,018	\$ 17

Retirees who are entitled to receive retirement benefits under the City's retirement plan may purchase continued health benefits coverage for the retiree and the retiree's dependents. A retiree must inform the City not later than the day of retirement if he elects to continue coverage. If the retiree elects to continue coverage for himself and/or his dependents, once he decides to drop either type of coverage, the person and/or his dependents are no longer eligible for coverage. The levels of coverage provided as well as the payment for coverage are the same as current employees. The City's coverage is secondary to Medicare when the person becomes eligible for these benefits.

NOTE 15 - PARK LAND DEDICATION

The City enacted an ordinance requiring open space, park, and recreational areas, which is intended to assure that within residential developments of the City there is sufficient land dedicated for open space and neighborhood parks. The City subsequently amended this ordinance providing for cash to be remitted in lieu of park land. Cash received shall be restricted to an area established by zone. Presently, the City has established twelve zones. Cash received by the City under this agreement must be expended within five years for the acquisition or development of a neighborhood park.

If not expended within the time frame established, the current owner of the property for which money was paid in lieu of land dedication shall be entitled to a refund providing a refund request is made within a one-year period. The activities of this program are accounted for in a special revenue fund.

NOTE 16 – AGREEMENT WITH GULF COAST WATER AUTHORITY

On July 17, 1997, the City entered into an option agreement with Gulf Coast Water Authority (GCWA), a Texas conservation and reclamation district, to purchase surface water rights. The agreement allows the City the option to buy fifteen (15) million gallons per day of surface water from GCWA's canal system. The City pays monthly in advance for 18.53 million gallons per day adjusted yearly for the U. S. Department of Labor Utilities Index for Industries. The City pays approximately \$117,000 per year for these rights.

City of Missouri City, Texas

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

The City may exercise its' option to buy surface water by giving a ninety (90) day notice. The City may sell or assign the rights to Missouri City municipal utility districts or others as needed.

The City has paid GCWA \$767,506 cumulatively through June 30, 2004.

NOTE 17 – REGIONAL WASTEWATER TREATMENT FACILITY

In March 1996, the City contracted with First Colony Municipal Utility District No. 9 (MUD9) and Fort Bend County Municipal Utility District No. 42 (MUD42) to construct a regional wastewater system to include a major transmission line, treatment plant, and disposal. This regional system will eventually serve a much greater area, which is called the Steep Bank/Flat Bank Creek Service Area. The initial phase serves MUD's 9 and 42 with a total capacity of 1.5 million gallons per day (MGD). When the regional plant is built out to full capacity for the entire service area, the capacity of the plant will be 5.5 MGD.

MUDs 9 and 42 financed much of the construction of the plant. The City paid for the additional costs of over-sizing. The total cost of the construction including over-sizing, land, permitting, and transmission lines is \$8.6 million. The City will recoup its' over-sizing costs as new customers connect to the system. The City incurred expenditures under this contract for over-sizing costs totaling \$3,418,824 for Phase I and \$38,095 for Phase II, plus interest under this contract to be reimbursed by other municipal utility districts (see MUD No. 115, 46 and 129 below).

The City is responsible for the operation and maintenance of the plant and has contract with a utility operations company for this purpose. MUDs 9 and 42 pay monthly charges for their share of operations and maintenance expenses, which includes funding an operations and maintenance reserve.

MUDs 9, 42 and the City have agreed that each district shall initially have the right to deliver, subject to agreed terms and conditions, wastewater to the plant in the following capacities:

District	Percent	Reserved Capacity (MGD)
First Colony MUD #9	54%	0.808
Fort Bend County MUD #42	25%	0.371
Fort Bend County MUD #46	16%	0.237
Fort Bend County MUD #115	5%	0.084
	100%	1.500

The City entered into an agreement with Fort Bend County No. MUD 115 (MUD 115) on November 6, 2000, to provide waste disposal needs for this MUD. The district is expected to utilize the reserved capacity of MUDs 9 and 42 until such time the plant will need to be expanded. The City contracted with MUD 115 to pay \$577,379, plus interest for its' pro rate share of interim costs. The district has paid \$262,865 of the cost as of June of this year and will pay the remaining amounts, as lots are platted in the subdivision. The City entered into an agreement with Fort Bend County MUD No. 46 on May 20, 2002, to provide waste disposal needs for this MUD. The district is also expected to utilize the reserved capacity of MUDs 9 and 42. The City contracted with MUD 46 to pay \$478,666, plus interest for its' pro rate share of interim costs. The district has paid \$340,694 of the cost as of June of this year and will pay the remaining amounts, as lots are platted in the subdivision. The City will

City of Missouri City, Texas

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

provide funding for the expansion, and the districts will pay their share of operations and their share of the debt service.

On September 20, 2004, an agreement was entered into with Fort Bend County MUD No. 129 to utilize interim capacity of MUDs 9 and 42. Its share of over-sizing costs will be \$736,711.

The City will expand the facility when needed and reserves the option to utilize package plants in the interim, if necessary, to provide services to all areas. The maintenance and operation of the plant will be prorated among the MUDs utilizing their average equivalent collections for the year.

NOTE 18 – DEVELOPMENT AGREEMENTS

Agreement with Sienna Plantation

In past years, it was the policy of City Council that before a reclamation district, water control improvement district or municipal utility district could be created, the landowners in the City's extra-territorial jurisdiction must petition for annexation into the City. As a result, the City approved the creation of several separate municipal districts in past years.

In 1995-96, the City began development of a regional water, sewer and storm drainage plan to determine future demands for water, sewer and storm drainage facilities for the entire City including these districts.

With the City approximately one-third built, not including the City's extra-territorial jurisdiction, this was a good time to initiate the change. In conjunction with this, a Municipal Utility District Study was performed to assure that Regionalization versus separate MUDs was feasible.

As a result, the City determined to leave the existing districts in place at this time and review their Regionalization needs on an individual basis, when the need to sell new debt or expand the plant took place. For the rest of the City, the City is seeking Regionalization by requiring MUDs to go to a regionalized plant, and to develop contract for Regionalization with existing MUDs. The Quail Valley MUD is a good example of this Regionalization effort.

In other areas, Public Improvement Districts are being formed to take care of the water, sewer, drainage and other needed improvements.

In 1995-96, several developers of Sienna Plantation, a 12,000-acre master planned community in the City's extra-territorial jurisdiction approached the City Council to allow development by agreement. As a result, a development agreement was proposed allowing development to take place outside the City limits.

The developers in Sienna Plantation entered into the Sienna Plantation Joint Development Agreement with the City of Missouri City (the "City") dated February 19, 1996, as amended by the First Amendment thereto dated February 16, 1998, (collectively, the "Development Agreement"), which stipulates the City's regulatory authority over the development of Sienna Plantation. The Development Agreement establishes certain restrictions and commitments related to the development of Sienna Plantation, sets forth detailed design and construction standards, stipulates a formula for determining the time of annexation of land within Sienna Plantation by the City, and identifies and establishes a master plan for the development of Sienna Plantation. The provisions of the Development Agreement govern the development of all land within Sienna Plantation.

City of Missouri City, Texas

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

In the Development Agreement, the City agrees not to annex the property in any district before such time as (i) at least 90% of the developable acreage within such district has been developed with water, wastewater treatment, and drainage facilities; and (ii) the Developer has been reimbursed to the maximum extent permitted by the rules of the TCEQ or the City assumes any obligation for such reimbursement.

The area is expected to add approximately 60,000 to the population of the City.

Wastewater Treatment Service Contract

Regional wastewater treatment services will be provided to Sienna Plantation by the City through the Master District pursuant to the Wastewater Treatment Services Contract (the "Wastewater Agreement"). Pursuant to the Wastewater Agreement, each District within Sienna Plantation is permitted to own and operate one or more temporary wastewater treatment plants to serve initial development within the boundaries of each District.

At such time as the number of total active equivalent single family connections within Sienna Plantation reaches 1,500, the City shall commence the design and permitting of the initial phase of a permanent wastewater treatment plant to serve Sienna Plantation. Should the City fail to construct the initial phase of the wastewater treatment plant pursuant to the terms of the Wastewater Treatment Agreement, the Master District shall have the right to design, permit, finance, construct and own such facilities. The Master District agrees to pay the City monthly charges to reimburse the City for all operation and maintenance expenses for the permanent wastewater treatment plant and to pay the debt service requirements on bonds issued by the City to finance the capital costs, which will be passed along to the District in the monthly connection charge.

Contract with Sienna Plantation Municipal Utility District No. 1 (Master District)

The District together with each conservation and reclamation district located within Sienna Plantation District, has contracted with Sienna Plantation Municipal Utility District No. 1 (the "Master District") to provide water supply and distribution, sewage collection and treatment services, major trunk storm sewer drain services, fire protection, and other services and facilities permitted by law for the entire Sienna Plantation development. The District has incurred, or incurs, the following expenditures with respect to this contract:

- the Districts prorated share of the Master District's capital cost (connection charges) which future costs will be capitalized in the District's General Capital Assets Account Group; and,
- monthly connection charges in an amount sufficient to meet the District's prorated share of the operational and maintenance costs of the central facilities, based on the relevant use of such facilities.

Fire Protection Agreements between City and Sienna Plantation MUDs 1, 2, & 3

On March 19, 2001, the City entered into fire protection agreements with Sienna Plantation MUDs 1, 2, & 3, which are outside the City's corporate limits but within its' extraterritorial jurisdiction, to provide fire suppression and rescue services.

These agreements do not obligate the City to construct or keep any fire stations, trucks, fire equipment or fire personnel within the Districts or to designate, reserve, or devote all or part of the City's Fire Department's trucks, equipment or personnel exclusively to or for the use of the Districts in carrying out these agreements, but the City will use its best efforts to comply with State standards regarding fire suppression. The City agrees to provide all additional personal property not already provided for by the developers or Sienna

City of Missouri City, Texas

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Plantation MUD No. 1 as set forth in the Development Agreement, relating to providing services as set forth in the agreements.

Pursuant to the Development Agreement, Sienna Plantation MUD No. 1, or the developers are required to begin construction of a new fire station and related appurtenances when the number of dwelling units in Sienna Plantation reaches 3,000 and must complete construction within one year. Upon completion, the City agrees to accept the dedicated fire station and related equipment and commence to staff, equip and operate the fire station to the same standards as the City's other fire stations, provided the City has annexed one Sienna municipal utility district. If the City has not annexed a Sienna municipal utility district by the time the fire station is complete, the City will commence to staff, equip and operate the fire station to the same standards as the City's other fire stations pursuant to a contract to be entered into with Sienna Plantation MUD No. 1, and thereafter upon the City's annexation of the first Sienna municipal utility district, the City will accept the dedication of the fire station and related equipment and continue to staff, equip and operate the fire station to the same standards as the City's other fire stations.

The MUD districts agree to pay the City a monthly charge of \$7.00 for each residential unit in the districts connected to the public water supply on or before the twentieth day of the preceding month. For non-residential properties, the districts agree to pay a monthly charge of \$7.00 per 2,000 square feet of building floor space.

The districts must develop a fire plan in accordance with Section 49.351, Texas Water Code, and the rules of the Texas Commission on Environmental Quality (the "TCEQ"), hold a hearing on the plan in the district, submit the plan to the TCEQ for its approval, call an election in the district and obtain voter approval. Sienna Plantation MUD No. 2 has called an election and obtained voter approval. The fire plans are currently in development at this time for Sienna Plantation MUDs 1 and 3.

NOTE 19 – REIMBURSEMENTS DUE TO CITY AND DEVELOPERS

The City has entered into agreements with developers and newly created governmental entities for purposes of developing areas that otherwise would not be developed. The planned resources for these developments are property tax increments in established zones within the City. Currently, the City's financial statements include two Tax Incremental Reinvestment Zones (Zones 1 and 2) as blended component units along with a Development Authority created for these purposes. The City expects approximately \$7.1 million will be spent in the upcoming fiscal year for development activities within Zones 1 and 2.

The City is also working with area developers in the creation of Public Improvement Districts (PIDs) for development purposes that will use property assessments within their boundaries to create additional resources for development purposes. Costs associated with the PIDs' creation have been included in the Public Improvement District #2 and #3 Funds.

The City and developers have prefunded certain creation costs for these entities and expect reimbursement of these costs in the future, once development has taken place and property values are at a level that will create the resources for repayment of these costs. The reimbursements will include interest at agreed-upon rates at the time the reimbursements are calculated and made.

In addition, the City has prefunded capital costs for the new regional wastewater treatment plant. These prefunded costs have included over-sizing of sewer lines funded by the proceeds of City issued certificates of obligation (see Note 17). The City has also prefunded additional costs from operating funds related to the over-sizing and

City of Missouri City, Texas

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

engineering costs related to plant expansion for new users. These pre-funded costs are expected to be paid back as new or existing customers pay for capacity in the current and expanded plant. The City plans to receive interest on these prefunded costs at the time of reimbursement at agreed-upon rates at the time the reimbursements are calculated and made.

The amounts currently due to the City and developers by project and excluding interest costs at June 30, 2004 are shown below. These amounts do not include the over-sizing costs funded through City-issued certificates of obligation discussed in Note 17.

	Public Improvement Districts	Tax Increment Reinvestment Zones	Wastewater Treatment Plant	Totals
City	\$ 96,117	\$ 3,352,116	\$ 39,393	\$ 3,487,626
Developers	51,512	146,044		197,556
	<u>\$ 147,629</u>	<u>\$ 3,498,160</u>	<u>\$ 39,393</u>	<u>\$ 3,685,182</u>

NOTE 20 – HOUSTON COMMUNITY COLLEGE

In 1997, Houston Community College (HCC) established a storefront campus in the Randall's Center on Cartwright Road in Missouri City for continuing education, computer and software, and professional certification types of courses. Based upon the success of this storefront campus, the Mayor and City Council requested that the HCC Board initiate the process whereby Missouri City residents could petition for an election for admission to the HCC System.

In August 1999, the HCC Board initiated this process. Of the total 833 ballots cast on May 6, 2000, 536 voted for annexation in the HCC district with 297 against. By becoming part of the college district, property owners will pay slightly less than 9 cents per \$100 of assessed values in property taxes. The Missouri City location will include an expanded center for advanced computer technology with state of the art programs designed to meet the needs of local business and residents. All Missouri City residents will pay in-district tuition for a minimum savings of \$288 per semester.

Houston Community College is planning to locate a new main campus in Sienna North in the Sienna Parkway area near State Highway 6.

NOTE 21 – AGREEMENT WITH HARRIS COUNTY METROPOLITAN TRANSIT AUTHORITY

The City entered into a Congestion Mitigation/Traffic Management Agreement with the Harris County Metropolitan Transit Authority (METRO) to address ongoing mobility needs through the further development of regional transportation systems. Under this agreement, METRO will make payments to the City to fund eligible transportation projects as defined in the agreement. The agreement is effective through October 1, 2009. These payments will generally be limited to one-half (1/2) of all METRO sales tax collections within the City during the agreement. These payments will be in addition to payments for previously approved METRO projects within the City. The City received approximately \$1.7 million pursuant to this agreement for eligible transportation projects in the current fiscal year.

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**REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MANAGEMENT'S
DISCUSSION AND ANALYSIS (UNAUDITED)**

City of Missouri City, Texas

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

For the Year Ended June 30, 2004

	Budgeted Amounts		Budgetary	Variance with
	Original	Final	Actual Amounts	Final Budget - Positive (Negative)
<u>Revenues</u>				
Taxes:				
Property taxes and penalties	\$ 10,961,450	\$ 10,961,222	\$ 11,015,171	\$ 53,949
Other taxes	3,979,050	3,979,050	3,875,756	(103,294)
Licenses and permits	2,409,278	2,409,278	2,374,827	(34,451)
Fines and forfeitures	849,830	849,830	836,621	(13,209)
Franchise fees	2,720,000	2,720,000	2,673,264	(46,736)
Intergovernmental revenues	173,500	173,500	192,525	19,025
Other revenue	1,130,480	1,130,480	1,135,752	5,272
Total Revenues	22,223,588	22,223,360	22,103,916	(119,444)
<u>Expenditures</u>				
Current:				
General government	2,517,208	2,176,523	2,016,725	159,798
Finance	1,819,937	1,841,747	1,656,052	185,695
Police	6,575,856	6,714,672	6,503,209	211,463
Fire	4,520,010	4,684,783	4,628,418	56,365
Public works	3,317,240	3,288,176	2,831,210	456,966
Parks and recreation	2,102,791	2,128,921	1,963,887	165,034
Planning	1,683,738	1,701,958	1,684,393	17,565
Total Expenditures	22,536,780	22,536,780	21,283,894	1,252,886
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(313,192)	(313,420)	820,022	1,133,442
<u>Other Financing Sources (Uses)</u>				
Transfers from other funds	207,627	1,162	727,279	726,117
Reimbursements from MUD's	264,131	264,131	561,575	297,444
Transfers (to) other funds	(47,045)	(47,045)	(102,880)	(55,835)
Total Other Financing Sources (Uses)	424,713	218,248	1,185,974	967,726
Net Change in Fund Balance	111,521	(95,172)	2,005,996	2,101,168

City of Missouri City, Texas

TEXAS MUNICIPAL RETIREMENT SYSTEM - SCHEDULE OF FUNDING PROGRESS (UNAUDITED)

The City's annual covered payroll and pension costs are actuarially valued on a calendar year basis. Because the City makes all the annually required contributions, no net pension obligation (NPO) exists. The information presented below represents the City's Schedule of Funding Progress.

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Percentage Funded	Unfunded AAL (UAAL)	Annual Covered Payroll	UAAL As A Percentage of Covered Payroll
12/31/99	\$ 25,233,260	\$ 29,064,855	86.8%	\$ 3,831,595	\$ 6,987,750	54.8%
12/31/00	27,343,615	31,858,402	85.8%	4,514,787	8,537,510	52.9%
12/31/01	27,975,062	32,872,483	85.1%	4,897,421	9,379,888	52.2%
12/31/02	30,391,903	35,927,764	84.6%	5,535,861	10,597,155	52.2%
12/31/03	30,101,875	36,458,504	82.6%	6,356,629	11,272,581	56.4%

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<p>COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES</p>
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Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted for particular purposes.

Park Land Dedication Fund

This fund is used to account for cash payments in lieu of land donated for parks as established by the Park Land Dedication Ordinance. Funds must be expended within five years from the date of the receipt for acquisition or development of a neighborhood park.

Law Enforcement Fund

This fund is used to account for monies resulting from narcotics contraband seized within the County as a result of a final conviction or forfeiture by the State. The funds are to be used solely for law enforcement purposes. The Law Enforcement Block Grant is also accounted for in this fund.

Radio Communications Fund

This fund is used to account for the operations and maintenance of the radio communications facilities, a portion of which is paid by other area users.

Court Security and Technology Funds

These funds are used to account for monies resulting from court fee assessments. The funds are to be used solely for security and technology of the court.

Community Development Block Grant Fund

This fund is used to account for revenues to be received from the Community Development Block Grant Entitlement

Regional Wastewater Operations Fund

This fund is used to account for the operations and maintenance of the wastewater treatment plant. The operation of the plant is contracted out to Seven Trent Environmental with First Colony MUD #9 and 42 paying 61/39 percent of the operating costs.

Hightower Liftstation Fund

This fund is used to account for the operations and maintenance of a liftstation to pump wastewater to Steep/flat Bank Regional Wastewater Plant.

Northeast Oyster Creek Service Area Fund

This fund is used to account for the purchase of wastewater capacity and fresh water supply from Quail Valley Utility District (QVUD) and the sale of said capacity/supply for the Northeast Oyster Creek Watershed service area.

Mustang Bayou Service Area Fund

This fund is used to account for the purchase of wastewater capacity and fresh water supply from ECO Resources (ECO) and the sale of said capacity/supply for the Mustang Bayou service area until the City can build its own regional plants.

Missouri City Development Authority Fund

This fund is used to account for the Development Authority, which is made up of City Council with ex-officio members including the City Manager, Director of Public Works, City Attorney, Director of Planning, Finance Director, and may also include representatives of the Fort Bend Independent School District as non-voting members. The board will act for the City to develop policies, implement project and financing plans with the planned improvement districts and tax incremental reinvestment zones.

Tax Incremental Reinvestment Zone (TIRZ) #1 (Fifth Street) Fund

This fund is used to account for the TIRZ, which covers the Fifth Street area of the City, which is located near an unincorporated area in the City of Stafford's extra-territorial jurisdiction. The Fort Bend Economic Development Commission developed the plan to improve the area noted for substandard housing, a lack of public infrastructure and crime.

Tax Incremental Reinvestment Zone (TIRZ) #2 (Vicksburg) Fund

This fund is used to account for the TIRZ in the Vicksburg subdivision area of the City. Prime development has been handicapped for years due to drainage problems. By forming the TIRZ, drainage problems can be addressed on a regional basis.

Public Improvement District (PID) #2 (Vicksburg area) Fund

This fund is used to track the sources and used of funds for the PID in the Vicksburg area. As improvements are made in this district, a special assessment fee will be charged to property owners.

Public Improvement District (PID) #3 (Vicksburg area) Fund

This fund is used to track the sources and uses of funds for the Public Improvement District in the Vicksburg area. PID #3 is an expansion of the area served by PID #2. As improvements are made in this district, a special assessment fee will be charged to property owners.

Capital Projects Funds

Capital Projects Funds are used to account for all resources used for the acquisition and/or construction of all buildings, equipment, rights of way, street and drainage improvements, and regional wastewater facilities.

Certificates of Obligation Fund

This fund is used to account for the purchase of certain capital equipment, city vehicles and certain professional services.

Regional Wastewater Construction Fund

This fund is used to account for the construction of Phase I of the city's new 5.5-MGD regional wastewater collection, treatment, and disposal system.

Regional Wastewater Phase II Fund

This fund is used to account for engineering and planning costs (Phase II) of upgrading the City's new 5.5-MGD regional wastewater collection treatment and disposal system.

MUD #46 Liftstation/Forcemain Fund

This fund is used to account for the construction of a liftstation for Forcemain, which will connect Fort Bend County MUD #46 to the Steepbank/Flatbank wastewater treatment plant.

Mustang Bayou Interim Wastewater Fund

This fund is used to account for the construction of site improvements at the existing regional wastewater treatment plant, not owned by the City, to increase wastewater treatment capacity during the time the City is constructing its' own wastewater treatment plant to service the entire Mustang Bayou area.

Mustang Bayou Water Facility Fund

This fund is used to account for the construction of a regional fresh water supply plant to service the Mustang Bayou Watershed area.

City of Missouri City, Texas

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

June 30, 2004

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Other Governmental Funds
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 1,332,217	\$ 2,042,516	\$ 3,374,733
Investments	356,131	546,005	902,136
Receivables:			
Other net of allowance account	143,291		143,291
Due from other governments	88,667		88,667
Total Assets	\$ 1,920,306	\$ 2,588,521	\$ 4,508,827
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 56,077	\$ 684	\$ 56,761
Deferred revenue	138		138
Due to other funds	66,430		66,430
Total Liabilities	122,645	684	123,329
Fund Balances:			
Reserved for:			
Encumbrances	649,777	55,322	705,099
Community development	3,889		3,889
O&M	92,665		92,665
Unreserved, designated, reported in			
Special revenue funds	17,558		17,558
Unreserved, undesignated, reported in:			
Special revenue funds	1,033,772		1,033,772
Capital projects funds		2,532,515	2,532,515
Total Fund Balances	1,797,661	2,587,837	4,385,498
Total Liabilities and Fund Balances	\$ 1,920,306	\$ 2,588,521	\$ 4,508,827

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City of Missouri City, Texas

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2004

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Other Governmental Funds
<u>Revenues</u>			
Intergovernmental revenues	\$ 481,551	\$	\$ 481,551
Other revenue	782,068	241,134	1,023,202
Total Revenues	<u>1,263,619</u>	<u>241,134</u>	<u>1,504,753</u>
<u>Expenditures</u>			
Current:			
General government	138,327		138,327
Police	157,898		157,898
Public works	615,678		615,678
Parks and recreation	45,047		45,047
Planning	186,936		186,936
Capital Outlay		1,464,445	1,464,445
Total Expenditures	<u>1,143,886</u>	<u>1,464,445</u>	<u>2,608,331</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>119,733</u>	<u>(1,223,311)</u>	<u>(1,103,578)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers from other funds	834,899		834,899
Transfers (to) other funds	(70,132)	(570,435)	(640,567)
Proceeds of long term debt		1,500,000	1,500,000
Total Other Financing Sources (Uses)	<u>764,767</u>	<u>929,565</u>	<u>1,694,332</u>
Net Change in Fund Balance	884,500	(293,746)	590,754
Fund balances, beginning	<u>913,161</u>	<u>2,881,583</u>	<u>3,794,744</u>
Fund Balances, Ending	<u>\$ 1,797,661</u>	<u>\$ 2,587,837</u>	<u>\$ 4,385,498</u>

City of Missouri City, Texas

COMBINING BALANCE SHEET NONMAJOR SPECIAL REVENUE FUNDS

June 30, 2004

	Park Land Dedication Fund	Law Enforcement Fund	Radio Communications Fund	Court Security Fee Fund	Court Technology Fee Fund	Community Development Block Grant Fund	Regional WW Operating Fund
Assets							
Current Assets:							
Cash and cash equivalents	\$ 533,593	\$ 47,200	\$	\$ 16,969	\$ 36,648	\$	\$ 73,573
Investments	142,640	12,618		4,536	9,797		19,668
Receivables:							
Other net of allowance account			24,088	138			
Due from other governments			6,556			51,351	30,700
Total Assets	<u>\$ 676,233</u>	<u>\$ 59,818</u>	<u>\$ 30,644</u>	<u>\$ 21,643</u>	<u>\$ 46,445</u>	<u>\$ 51,351</u>	<u>\$ 123,941</u>
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$	\$	\$ 4,850	\$	\$ 450	\$ 5,150	\$ 31,276
Deferred revenue				138			
Due to other funds			12,126			20,504	
Total Liabilities			<u>16,976</u>	<u>138</u>	<u>450</u>	<u>25,654</u>	<u>31,276</u>
Fund Balances:							
Reserved for:							
Encumbrances	5,967	10,425			24,960	21,808	
Community development						3,889	
O&M							92,665
Fund balances:							
Unreserved	670,266	49,393	13,668	21,505	21,035		
Total Fund Balances	<u>676,233</u>	<u>59,818</u>	<u>13,668</u>	<u>21,505</u>	<u>45,995</u>	<u>25,697</u>	<u>92,665</u>
Total Liabilities and Fund Balances	<u>\$ 676,233</u>	<u>\$ 59,818</u>	<u>\$ 30,644</u>	<u>\$ 21,643</u>	<u>\$ 46,445</u>	<u>\$ 51,351</u>	<u>\$ 123,941</u>

Hightower Liftstation Fund	Northeast Oyster Creek Service Area Fund	Mustang Bayou Service Area Fund	Development Authority Fund	TIRZ #1 Fund	TIRZ #2 Fund	PID #2 Fund	PID #3 Fund	Total Nonmajor Special Revenue Funds
\$ 1,412 378	\$ 10 3	\$ 9,438 2,523	\$	\$ 99,557 26,614	\$ 513,814 137,353	\$ 3 1	\$	\$ 1,332,217 356,131
	109,065					10,000		143,291
				60				88,667
<u>\$ 1,790</u>	<u>\$ 109,078</u>	<u>\$ 11,961</u>	<u>\$</u>	<u>\$ 126,231</u>	<u>\$ 651,167</u>	<u>\$ 10,004</u>	<u>\$</u>	<u>\$ 1,920,306</u>
\$ 1,790	\$ 600	\$ 11,961	\$	\$	\$	\$	\$	\$ 56,077 138
	23,800					10,000		66,430
<u>1,790</u>	<u>24,400</u>	<u>11,961</u>	<u></u>	<u></u>	<u></u>	<u>10,000</u>	<u></u>	<u>122,645</u>
					586,617			649,777 3,889 92,665
	84,678			126,231	64,550	4		1,051,330
	84,678			126,231	651,167	4		1,797,661
<u>\$ 1,790</u>	<u>\$ 109,078</u>	<u>\$ 11,961</u>	<u>\$</u>	<u>\$ 126,231</u>	<u>\$ 651,167</u>	<u>\$ 10,004</u>	<u>\$</u>	<u>\$ 1,920,306</u>

City of Missouri City, Texas

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE NONMAJOR SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2004

	Park Land Dedication Fund	Law Enforcement Fund	Radio Communications Fund	Court Security Fee Fund	Court Technology Fee Fund	Community Development Block Grant Fund	Regional WW Operating Fund
Revenues							
Intergovernmental	\$	\$ 82,448	\$ 70,355	\$ 21,421	\$ 28,176	\$ 191,200	\$
Other	163,471	270	52,355	81	313		379,026
Total Revenues	<u>163,471</u>	<u>82,718</u>	<u>122,710</u>	<u>21,502</u>	<u>28,489</u>	<u>191,200</u>	<u>379,026</u>
Expenditures							
Current:							
General government					6,650		
Police		34,684	123,214				
Public works							372,275
Parks and recreation	45,047						
Planning						186,936	
Total Expenditures	<u>45,047</u>	<u>34,684</u>	<u>123,214</u>		<u>6,650</u>	<u>186,936</u>	<u>372,275</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>118,424</u>	<u>48,034</u>	<u>(504)</u>	<u>21,502</u>	<u>21,839</u>	<u>4,264</u>	<u>6,751</u>
Other Financing Sources (Uses)							
Transfers from other funds							
Transfers (to) other funds							
Total Other Financing Sources (Uses)							
Net Change in Fund Balance	118,424	48,034	(504)	21,502	21,839	4,264	6,751
Fund balances, beginning	<u>557,809</u>	<u>11,784</u>	<u>14,172</u>	<u>3</u>	<u>24,156</u>	<u>21,433</u>	<u>85,914</u>
Fund Balances, Ending	<u>\$ 676,233</u>	<u>\$ 59,818</u>	<u>\$ 13,668</u>	<u>\$ 21,505</u>	<u>\$ 45,995</u>	<u>\$ 25,697</u>	<u>\$ 92,665</u>

Hightower Liftstation Fund	Northeast Oyster Creek Service Area Fund	Mustang Bayou Service Area Fund	Development Authority Fund	TIRZ #1 Fund	TIRZ #2 Fund	PID #2 Fund	PID #3 Fund	Total Nonmajor Special Revenue Funds
\$	\$	\$	\$	\$ 45,835	\$ 42,116	\$	\$	\$ 481,551
5,684	166,764			450	3,650	10,004		782,068
5,684	166,764			46,285	45,766	10,004		1,263,619
			70,132	280	51,265	10,000		138,327
5,684	225,758	11,961						157,898
								615,678
								45,047
								186,936
5,684	225,758	11,961	70,132	280	51,265	10,000		1,143,886
	(58,994)	(11,961)	(70,132)	46,005	(5,499)	4		119,733
		11,961	70,132	54,421	663,319	17,533	17,533	834,899
				(17,533)	(17,533)	(17,533)	(17,533)	(70,132)
		11,961	70,132	36,888	645,786			764,767
	(58,994)			82,893	640,287	4		884,500
	143,672			43,338	10,880			913,161
\$	\$ 84,678	\$	\$	\$ 126,231	\$ 651,167	\$ 4	\$	\$ 1,797,661

City of Missouri City, Texas

COMBINING BALANCE SHEET NONMAJOR CAPITAL PROJECTS FUNDS

June 30, 2004

	Certificates of Obligation Fund	Regional Wastewater Construction Fund	Regional Wastewater Phase II Fund	MUD #46 Liftsation/ Forcemain Fund
<u>Assets</u>				
Current Assets:				
Cash and cash equivalents	\$ 726,214	\$	\$	\$
Investments	194,131			
Total Assets	\$ 920,345	\$	\$	\$
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 684	\$	\$	\$
Total Liabilities	684			
Fund Balances:				
Reserved for:				
Encumbrances	55,322			
Fund balances:				
Unreserved	864,339			
Total Fund Balances	919,661			
Total Liabilities and Fund Balances	\$ 920,345	\$	\$	\$

Mustang Bayou Interim Wastewater Fund	Mustang Bayou Water Facility Fund	Total Nonmajor Capital Projects Funds
\$ 86,019	\$ 1,230,283	\$ 2,042,516
22,995	328,879	546,005
<u>\$ 109,014</u>	<u>\$ 1,559,162</u>	<u>\$ 2,588,521</u>
\$	\$	\$ 684
		684
		55,322
109,014	1,559,162	2,532,515
109,014	1,559,162	2,587,837
<u>\$ 109,014</u>	<u>\$ 1,559,162</u>	<u>\$ 2,588,521</u>

City of Missouri City, Texas

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE NONMAJOR CAPITAL PROJECTS FUNDS

For the Year Ended June 30, 2004

	Certificates of Obligation Fund	Regional Wastewater Construction Fund	Regional Wastewater Phase II Fund	MUD #46 Liftsation/ Forcemain Fund
<u>Revenues</u>				
Other	\$ 17,553	\$ 24,811	\$ 19	\$ 110,295
<u>Expenditures</u>				
Capital outlay	925,609		1,130	360,208
Excess (Deficiency) of Revenues Over (Under) Expenditures	(908,056)	24,811	(1,111)	(249,913)
<u>Other Financing Sources (Uses)</u>				
Transfers (to) other funds		(381,784)	(2,356)	(186,295)
Proceeds of long term debt				
Total Other Financing Sources (Uses)		(381,784)	(2,356)	(186,295)
Net Change in Fund Balance	(908,056)	(356,973)	(3,467)	(436,208)
Fund balances, beginning	1,827,717	356,973	3,467	436,208
Fund Balances, Ending	<u>\$ 919,661</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

Mustang Bayou Interim Wastewater Fund	Mustang Bayou Water Facility Fund	Total Nonmajor Capital Projects Funds
<u>\$ 2,459</u>	<u>\$ 85,997</u>	<u>\$ 241,134</u>
<u>150,663</u>	<u>26,835</u>	<u>1,464,445</u>
<u>(148,204)</u>	<u>59,162</u>	<u>(1,223,311)</u>
		(570,435)
<u></u>	<u>1,500,000</u>	<u>1,500,000</u>
<u></u>	<u>1,500,000</u>	<u>929,565</u>
(148,204)	1,559,162	(293,746)
<u>257,218</u>	<u></u>	<u>2,881,583</u>
<u><u>\$ 109,014</u></u>	<u><u>\$ 1,559,162</u></u>	<u><u>\$ 2,587,837</u></u>

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City of Missouri City, Texas

GENERAL FUND

SCHEDULE OF REVENUES - BUDGET AND ACTUAL

Year Ended June 30, 2004

with Comparative Actual Amounts for the Year Ended June 30, 2003

	2004			2003
	Final Budget	GAAP Actual	Variance Positive (Negative)	GAAP Actual
<u>Property Taxes and Penalties</u>				
Property taxes - current	\$ 10,391,222	\$ 10,238,023	\$ (153,199)	\$ 9,377,555
Property taxes - delinquent	275,000	420,023	145,023	332,679
Penalties and interest	130,000	145,481	15,481	167,579
Cash/over & under		(15)	(15)	(1,340)
Rollbacks - current		2,823	2,823	1,668
Rollbacks - delinquent	1,000	6,328	5,328	80,664
Attorney fees	74,000	109,169	35,169	86,388
Tax forfeitures	50,000	49,974	(26)	63,903
Misc. tax revenue	10,000	17,500	7,500	16,500
HCC reimb-tax collection	30,000	25,865	(4,135)	24,975
	<u>10,961,222</u>	<u>11,015,171</u>	<u>53,949</u>	<u>10,150,571</u>
<u>Other Taxes</u>				
City retail sales tax	3,960,000	3,855,495	(104,505)	3,644,315
State beverage tax	17,000	17,011	11	18,810
Tax certificates	2,000	3,250	1,250	2,450
Miscellaneous taxes	50		(50)	
	<u>3,979,050</u>	<u>3,875,756</u>	<u>(103,294)</u>	<u>3,665,575</u>
<u>Licenses and Permits</u>				
Zoning variances	15,000	300	(14,700)	11,982
Zoning amendments	5,000	24,190	19,190	5,648
Plat fees	120,678	130,387	9,709	138,331
Recall inspection fees	130,000	93,900	(36,100)	121,040
General fire inspection	11,000	7,825	(3,175)	15,350
Building permits	800,000	656,355	(143,645)	810,896
Change of occupant	4,000	6,450	2,450	4,113
Plumbing permits	135,000	138,511	3,511	145,536
Electrical permits	160,000	152,745	(7,255)	167,223
Air conditioning permits	38,000	35,553	(2,447)	41,085
Pool permits	6,000	5,250	(750)	7,950
Sign permits	11,300	14,370	3,070	12,990
Electrical licenses	39,000	39,430	430	38,275
Plan check fees	370,000	328,161	(41,839)	386,747
After hour inspections	42,000	37,505	(4,495)	41,950
Liquor licenses	6,500	3,891	(2,609)	4,561
Solicitor's licenses	1,800	1,200	(600)	1,700
Infrastructure fees	250,000	379,070	129,070	224,425
Health permits	45,000	51,744	6,744	49,762
Housing code	25,000	52,750	27,750	24,900
After hours inspection	10,000	29,422	19,422	28,454
Sienna inspection fee	35,000	42,516	7,516	32,232
Contractor registration fee	110,000	65,145	(44,855)	85,190
Design review fee	14,000	22,434	8,434	22,845
Public works plan review fee	25,000	41,523	16,523	27,713
Riverstone inspection fee		14,200	14,200	
	<u>\$ 2,409,278</u>	<u>\$ 2,374,827</u>	<u>\$ (34,451)</u>	<u>\$ 2,450,898</u>

City of Missouri City, Texas

GENERAL FUND SCHEDULE OF REVENUES - BUDGET AND ACTUAL

Year Ended June 30, 2004
with Comparative Actual Amounts for the Year Ended June 30, 2003

	2004			2003
	Final Budget	GAAP Actual	Variance Positive (Negative)	GAAP Actual
<u>Fines and Forfeitures</u>				
Fines	\$ 636,200	\$ 614,844	\$ (21,356)	\$ 512,476
Warrant fees	105,000	66,054	(38,946)	84,964
Def. driving/ins.fees	14,000	15,035	1,035	10,400
Administrative and other fees	94,630	140,688	46,058	106,206
	<u>849,830</u>	<u>836,621</u>	<u>(13,209)</u>	<u>714,046</u>
<u>Franchise Fees</u>				
Gas	240,000	283,626	43,626	247,714
Telephone	350,000	318,007	(31,993)	319,677
Electric utility	1,800,000	1,705,853	(94,147)	1,617,949
Cable television	330,000	365,778	35,778	321,888
	<u>2,720,000</u>	<u>2,673,264</u>	<u>(46,736)</u>	<u>2,507,228</u>
<u>Intergovernmental Revenues</u>				
Grants	1,500	39,657	38,157	9,992
Fire department	140,000	130,239	(9,761)	144,066
Animal Control-Stafford	12,000	11,780	(220)	12,000
Sta-Mo lease reimbursement	20,000	10,849	(9,151)	20,940
	<u>\$ 173,500</u>	<u>\$ 192,525</u>	<u>\$ 19,025</u>	<u>\$ 186,998</u>

City of Missouri City, Texas

GENERAL FUND SCHEDULE OF REVENUES - BUDGET AND ACTUAL

Year Ended June 30, 2004
with Comparative Actual Amounts for the Year Ended June 30, 2003

	2004			2003
	Final Budget	GAAP Actual	Variance Positive (Negative)	GAAP Actual
Other Revenues				
Investment earnings	\$ 50,000	\$ 50,536	\$ 536	\$ 28,489
Cash over/under - cashiers		(698)	(698)	(261)
Maps		17	17	5
Rec leisure classes	52,500	30,325	(22,175)	27,686
Athletic league fees	30,000	20,739	(9,261)	18,725
Recreation center fees	33,000	31,240	(1,760)	31,909
Special events	30,000	19,837	(10,163)	26,906
MCTV sponsorships	6,000	4,570	(1,430)	6,500
Facilities rental	96,800	86,487	(10,313)	86,017
Other	35,000	38,446	3,446	112,860
NSF check allowance	500	825	325	875
Sale of salvage	25,000	41,909	16,909	80
Insurance reimbursements	30,000	50,450	20,450	32,953
Missouri City history books	80		(80)	
False alarm fees	99,000	77,010	(21,990)	76,594
Alarm permit fees	220,000	221,429	1,429	211,155
Recycling	1,000	2,177	1,177	1,869
Solid waste collections	24,000	98,174	74,174	63,504
Police dept misc	3,000	24,802	21,802	16,591
Animal license fees	4,500	3,815	(685)	1,729
Donations	2,000	14,243	12,243	2,342
Fire department miscellaneous	1,000	1,791	791	(76)
Parks department misc				320
Engineering/street dept misc	1,000	4,500	3,500	3,214
EMS billings	220,000	111,686	(108,314)	114,210
Fire seminars				1,500
Late fees	20,000	17,027	(2,973)	68,029
Paver protectors	100	100		580
Purchasing miscellaneous	1,000	1,000		2,812
Sienna Fire District pmts	145,000	183,315	38,315	140,903
	<u>1,130,480</u>	<u>1,135,752</u>	<u>5,272</u>	<u>1,078,020</u>
Total Revenues	<u>\$ 22,223,360</u>	<u>\$ 22,103,916</u>	<u>\$ (119,444)</u>	<u>\$ 20,753,336</u>

City of Missouri City, Texas

GENERAL FUND SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

Year Ended June 30, 2004
with Comparative Actual Amounts for the Year Ended June 30, 2003

	2004							2003
	Accounting Control Budget	2003 Prior Year Encumbrances	Final Budget	GAAP Actual	Encumbrance Adjustments	Budgetary Actual	Variance Positive (Negative)	2003 GAAP Actual
General Government								
Council and Management								
Personnel	\$ 360,595	\$	\$ 360,595	\$ 337,366	\$	\$ 337,366	\$ 23,229	\$ 341,578
Commodities	20,589	(214)	20,375	18,439	(66)	18,373	2,002	19,634
Contractual services	175,306	(16,246)	159,060	152,001	(16,246)	135,755	23,305	274,662
Other services	63,190	(1,090)	62,100	55,745	6,110	61,855	245	49,000
	<u>619,680</u>	<u>(17,550)</u>	<u>602,130</u>	<u>563,551</u>	<u>(10,202)</u>	<u>553,349</u>	<u>48,781</u>	<u>684,874</u>
City Secretary								
Personnel	250,930		250,930	244,101		244,101	6,829	229,357
Commodities	13,421	(1,269)	12,152	10,421	(922)	9,499	2,653	14,434
Contractual services	66,000	(985)	65,015	65,263	(985)	64,278	737	56,248
Other services	52,000	(660)	51,340	51,046	(660)	50,386	954	37,492
	<u>382,351</u>	<u>(2,914)</u>	<u>379,437</u>	<u>370,831</u>	<u>(2,567)</u>	<u>368,264</u>	<u>11,173</u>	<u>337,531</u>
Human Resources								
Personnel	168,446		168,446	167,675		167,675	771	129,673
Commodities	15,393	(363)	15,030	11,734	(271)	11,463	3,567	7,593
Contractual services	108,747	(31,731)	77,016	71,463	(1,731)	69,732	7,284	79,748
Other services	54,400		54,400	25,575	3,250	28,825	25,575	32,151
	<u>346,986</u>	<u>(32,094)</u>	<u>314,892</u>	<u>276,447</u>	<u>1,248</u>	<u>277,695</u>	<u>37,197</u>	<u>249,165</u>
Legal								
Personnel	277,026		277,026	250,771		250,771	26,255	247,753
Commodities	17,147	(1,271)	15,876	6,821	(1,228)	5,593	10,283	11,479
Contractual services	224,489	(107,569)	116,920	216,873	(100,695)	116,178	742	149,035
Other services	15,963	(1,073)	14,890	14,904	(798)	14,106	784	12,655
	<u>534,625</u>	<u>(109,913)</u>	<u>424,712</u>	<u>489,369</u>	<u>(102,721)</u>	<u>386,648</u>	<u>38,064</u>	<u>420,922</u>
Municipal Court								
Personnel	219,285		219,285	206,066		206,066	13,219	193,517
Commodities	14,000	(1,097)	12,903	13,448	(1,097)	12,351	552	8,515
Contractual services	215,324		215,324	206,239	125	206,364	8,960	154,783
Other services	9,234	(1,394)	7,840	7,382	(1,394)	5,988	1,852	4,799
	<u>457,843</u>	<u>(2,491)</u>	<u>455,352</u>	<u>433,135</u>	<u>(2,366)</u>	<u>430,769</u>	<u>24,583</u>	<u>361,614</u>
Total General Government	<u>\$ 2,341,485</u>	<u>\$ (164,962)</u>	<u>\$ 2,176,523</u>	<u>\$ 2,133,333</u>	<u>\$ (116,608)</u>	<u>\$ 2,016,725</u>	<u>\$ 159,798</u>	<u>\$ 2,054,106</u>

City of Missouri City, Texas

GENERAL FUND SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) Year Ended June 30, 2004 with Comparative Actual Amounts for the Year Ended June 30, 2003

	2004							2003 GAAP Actual
	Accounting Control Budget	2003 Prior Year Encumbrances	Final Budget	GAAP Actual	Encumbrance Adjustments	Budgetary Actual	Variance Positive (Negative)	
Finance								
Budget and Administration								
Personnel	\$ 192,462	\$	\$ 192,462	\$ 167,909	\$	\$ 167,909	\$ 24,553	\$ 203,707
Commodities	43,164	(364)	42,800	9,628	2,855	12,483	30,317	9,165
Contractual services	182,430	(2,700)	179,730	172,488	(2,700)	169,788	9,942	89,080
Other services	16,527	(722)	15,805	5,061	2,334	7,395	8,410	6,357
	<u>434,583</u>	<u>(3,786)</u>	<u>430,797</u>	<u>355,086</u>	<u>2,489</u>	<u>357,575</u>	<u>73,222</u>	<u>308,309</u>
Purchasing and Central Stores								
Personnel	139,105		139,105	117,035		117,035	22,070	129,912
Commodities	7,083	(149)	6,934	4,234	(56)	4,178	2,756	4,964
Contractual services	60,665	(1,405)	59,260	57,191	(1,405)	55,786	3,474	53,921
Other services	10,675		10,675	4,719		4,719	5,956	5,225
	<u>217,528</u>	<u>(1,554)</u>	<u>215,974</u>	<u>183,179</u>	<u>(1,461)</u>	<u>181,718</u>	<u>34,256</u>	<u>194,022</u>
Accounting								
Personnel	672,582		672,582	621,389		621,389	51,193	711,817
Commodities	61,891	(1,347)	60,544	44,273	(675)	43,598	16,946	57,203
Contractual services	456,047	(13,572)	442,475	454,250	(13,572)	440,678	1,797	293,956
Other services	21,913	(2,538)	19,375	13,632	(2,538)	11,094	8,281	24,351
	<u>1,212,433</u>	<u>(17,457)</u>	<u>1,194,976</u>	<u>1,133,544</u>	<u>(16,785)</u>	<u>1,116,759</u>	<u>78,217</u>	<u>1,087,327</u>
Total Finance	<u>\$ 1,864,544</u>	<u>\$ (22,797)</u>	<u>\$ 1,841,747</u>	<u>\$ 1,671,809</u>	<u>\$ (15,757)</u>	<u>\$ 1,656,052</u>	<u>\$ 185,695</u>	<u>\$ 1,589,658</u>

City of Missouri City, Texas

GENERAL FUND SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) Year Ended June 30, 2004 with Comparative Actual Amounts for the Year Ended June 30, 2003

	2004							2003 GAAP Actual
	Accounting Control Budget	2003 Prior Year Encumbrances	Final Budget	GAAP Actual	Encumbrance Adjustments	Budgetary Actual	Variance Positive (Negative)	
Police								
Police Administration								
Personnel	\$ 581,826	\$	\$ 581,826	\$ 516,589	\$	516,589	65,237	\$ 591,418
Commodities	60,617	(1,229)	59,388	53,458	4,046	57,504	1,884	46,437
Contractual services	84,000		84,000	82,958		82,958	1,042	74,102
Other services	19,282	(1,482)	17,800	15,223	(1,482)	13,741	4,059	27,295
	<u>745,725</u>	<u>(2,711)</u>	<u>743,014</u>	<u>668,228</u>	<u>2,564</u>	<u>670,792</u>	<u>72,222</u>	<u>739,252</u>
Animal Control								
Personnel	133,601		133,601	134,095		134,095	(494)	121,254
Commodities	23,200		23,200	22,858		22,858	342	15,755
Contractual services	17,745		17,745	17,537		17,537	208	18,789
Other services	1,500		1,500	841		841	659	675
	<u>176,046</u>		<u>176,046</u>	<u>175,331</u>		<u>175,331</u>	<u>715</u>	<u>156,473</u>
Support Services								
Personnel	1,015,642		1,015,642	1,006,567		1,006,567	9,075	941,592
Commodities	48,460	(1,127)	47,333	35,921	(708)	35,213	12,120	32,886
Contractual services	182,968	(685)	182,283	167,118	3,032	170,150	12,133	157,864
Other services	16,125	(1,675)	14,450	15,971	(1,675)	14,296	154	12,165
	<u>1,263,195</u>	<u>(3,487)</u>	<u>1,259,708</u>	<u>1,225,577</u>	<u>649</u>	<u>1,226,226</u>	<u>33,482</u>	<u>1,144,507</u>
Criminal Investigation								
Personnel	1,098,476		1,098,476	1,090,708		1,090,708	7,768	1,037,969
Commodities	97,494	(5,943)	91,551	95,424	(5,327)	90,097	1,454	75,043
Contractual services	134,966		134,966	134,575		134,575	391	125,831
Other services	23,486	(787)	22,699	22,561	(787)	21,774	925	14,507
Capital outlay	17,000		17,000	14,588		14,588	2,412	17,049
	<u>1,371,422</u>	<u>(6,730)</u>	<u>1,364,692</u>	<u>1,357,856</u>	<u>(6,114)</u>	<u>1,351,742</u>	<u>12,950</u>	<u>1,270,399</u>
Patrol								
Personnel	2,396,341		2,396,341	2,374,074		2,374,074	22,267	2,174,554
Commodities	418,608	(6,335)	412,273	403,714	6,901	410,615	1,658	303,552
Contractual services	245,468	(5)	245,463	245,426	(5)	245,421	42	220,080
Other services	12,816	(1,816)	11,000	10,957	(1,816)	9,141	1,859	11,214
Capital outlay	106,135		106,135	106,044		39,867	66,268	39,867
	<u>3,179,368</u>	<u>(8,156)</u>	<u>3,171,212</u>	<u>3,140,215</u>	<u>5,080</u>	<u>3,079,118</u>	<u>92,094</u>	<u>2,749,267</u>
Total Police	<u>\$ 6,735,756</u>	<u>\$ (21,084)</u>	<u>\$ 6,714,672</u>	<u>\$ 6,567,207</u>	<u>\$ 2,179</u>	<u>\$ 6,503,209</u>	<u>\$ 211,463</u>	<u>\$ 6,059,898</u>

City of Missouri City, Texas

GENERAL FUND SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) Year Ended June 30, 2004 with Comparative Actual Amounts for the Year Ended June 30, 2003

	2004							2003 GAAP Actual
	Accounting Control Budget	2003 Prior Year Encumbrances	Final Budget	GAAP Actual	Encumbrance Adjustments	Budgetary Actual	Variance Positive (Negative)	
Fire								
Fire Administration								
Personnel	\$ 177,388	\$	\$ 177,388	\$ 176,881	\$	\$ 176,881	507	\$ 170,789
Commodities	20,798	(2,340)	18,458	20,164	(2,080)	18,084	374	16,997
Contractual services	43,366		43,366	42,964		42,964	402	40,657
Other services	1,500		1,500	1,693	(300)	1,393	107	1,777
Capital outlay	25,065		25,065	21,629	3,365	24,994	71	
	<u>268,117</u>	<u>(2,340)</u>	<u>265,777</u>	<u>263,331</u>	<u>985</u>	<u>264,316</u>	<u>1,461</u>	<u>230,220</u>
Fire Prevention								
Personnel	140,574		140,574	125,991		125,991	14,583	171,653
Commodities	30,091	(633)	29,458	28,140	370	28,510	948	18,974
Contractual services	28,887		28,887	28,756		28,756	131	26,861
Other services	12,369	(259)	12,110	10,892	(259)	10,633	1,477	3,518
	<u>211,921</u>	<u>(892)</u>	<u>211,029</u>	<u>193,779</u>	<u>111</u>	<u>193,890</u>	<u>17,139</u>	<u>221,006</u>
Fire Training								
Personnel	85,803		85,803	82,498		82,498	3,305	82,274
Commodities	14,313		14,313	13,348		13,348	965	10,664
Contractual services	14,786		14,786	13,982		13,982	804	14,547
Other services	62,375	(4,175)	58,200	56,469	1,655	58,124	76	52,149
	<u>177,277</u>	<u>(4,175)</u>	<u>173,102</u>	<u>166,297</u>	<u>1,655</u>	<u>167,952</u>	<u>5,150</u>	<u>159,634</u>
Fire Operations								
Personnel	3,406,426		3,406,426	3,374,789		3,374,789	31,637	2,990,303
Commodities	260,252	(10,666)	249,586	241,109	7,814	248,923	663	237,582
Contractual services	329,057	(794)	328,263	328,786	(706)	328,080	183	322,690
Other services	15,500		15,500	15,418		15,418	82	16,409
Capital outlay	35,100		35,100	35,050		35,050	50	
	<u>4,046,335</u>	<u>(11,460)</u>	<u>4,034,875</u>	<u>3,995,152</u>	<u>7,108</u>	<u>4,002,260</u>	<u>32,615</u>	<u>3,566,984</u>
Total Fire	<u>\$ 4,703,650</u>	<u>\$ (18,867)</u>	<u>\$ 4,684,783</u>	<u>\$ 4,618,559</u>	<u>\$ 9,859</u>	<u>\$ 4,628,418</u>	<u>\$ 56,365</u>	<u>\$ 4,177,844</u>

City of Missouri City, Texas

GENERAL FUND SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) Year Ended June 30, 2004 with Comparative Actual Amounts for the Year Ended June 30, 2003

	2004							2003
	Accounting Control Budget	2003 Prior Year Encumbrances	Final Budget	GAAP Actual	Encumbrance Adjustments	Budgetary Actual	Variance Positive (Negative)	2003 GAAP Actual
Public Works								
Engineering								
Personnel	\$ 901,090	\$	\$ 901,090	\$ 897,676	\$	897,676	3,414	\$ 829,773
Commodities	54,866	(175)	54,691	52,815	15	52,830	1,861	37,224
Contractual services	253,894	(1,271)	252,623	248,000	4,797	252,797	(174)	278,078
Other services	15,299	(1,079)	14,220	8,819	(1,079)	7,740	6,480	11,886
Capital outlay	33,000		33,000	32,727		32,727	273	16,992
	<u>1,258,149</u>	<u>(2,525)</u>	<u>1,255,624</u>	<u>1,240,037</u>	<u>3,733</u>	<u>1,243,770</u>	<u>11,854</u>	<u>1,173,953</u>
Streets, Drainage, and Traffic Control								
Personnel	898,045		898,045	820,202		820,202	77,843	773,428
Commodities	415,239	(38,367)	376,872	342,822	(34,436)	308,386	68,486	277,262
Contractual services	344,648	(33,328)	311,320	225,259	(2,192)	223,067	88,253	265,651
Other services	446,727	(412)	446,315	236,197	(412)	235,785	210,530	420,121
Capital outlay								65,693
	<u>2,104,659</u>	<u>(72,107)</u>	<u>2,032,552</u>	<u>1,624,480</u>	<u>(37,040)</u>	<u>1,587,440</u>	<u>445,112</u>	<u>1,802,155</u>
Total Public Works	<u>3,362,808</u>	<u>(74,632)</u>	<u>3,288,176</u>	<u>2,864,517</u>	<u>(33,307)</u>	<u>2,831,210</u>	<u>456,966</u>	<u>2,976,108</u>
Parks and Recreation								
Parks								
Personnel	614,348		614,348	614,241		614,241	107	577,397
Commodities	175,109	(7,079)	168,030	165,372	(5,700)	159,672	8,358	134,962
Contractual services	435,439	(14,643)	420,796	357,791	9,189	366,980	53,816	449,793
Other services	4,000		4,000	2,188		2,188	1,812	2,238
Capital outlay								29,646
	<u>1,228,896</u>	<u>(21,722)</u>	<u>1,207,174</u>	<u>1,139,592</u>	<u>3,489</u>	<u>1,143,081</u>	<u>64,093</u>	<u>1,194,036</u>
Recreation								
Personnel	355,189		355,189	320,493		320,493	34,696	312,303
Commodities	169,398	(10,324)	159,074	147,765	170	147,935	11,139	123,107
Contractual services	175,897	(843)	175,054	157,256	(843)	156,413	18,641	150,912
Other services	9,719	(269)	9,450	8,292	(269)	8,023	1,427	14,311
	<u>710,203</u>	<u>(11,436)</u>	<u>698,767</u>	<u>633,806</u>	<u>(942)</u>	<u>632,864</u>	<u>65,903</u>	<u>600,633</u>
Media Relations								
Personnel	175,325		175,325	146,010		146,010	29,315	151,107
Commodities	22,963		22,963	22,441	74	22,515	448	6,872
Contractual services	23,808	(716)	23,092	19,669	(216)	19,453	3,639	9,165
Other services	2,091	(491)	1,600	455	(491)	(36)	1,636	1,053
Capital outlay								13,414
	<u>224,187</u>	<u>(1,207)</u>	<u>222,980</u>	<u>188,575</u>	<u>(633)</u>	<u>187,942</u>	<u>35,038</u>	<u>181,611</u>
Total Parks and Recreation	<u>\$ 2,163,286</u>	<u>\$ (34,365)</u>	<u>\$ 2,128,921</u>	<u>\$ 1,961,973</u>	<u>\$ 1,914</u>	<u>\$ 1,963,887</u>	<u>\$ 165,034</u>	<u>\$ 1,976,280</u>

City of Missouri City, Texas

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

Year Ended June 30, 2004

with Comparative Actual Amounts for the Year Ended June 30, 2003

	2004							2003
	Accounting	2003		GAAP	Encumbrance	Budgetary	Variance	2003
	Control	Prior Year	Final	Actual	Adjustments	Actual	Positive	GAAP
	Budget	Encumbrances	Budget				(Negative)	Actual
Planning								
Personnel	\$ 483,226	\$	\$ 483,226	\$ 471,670	\$	\$ 471,670	\$ 11,556	\$ 418,525
Commodities	14,359	(375)	13,984	12,447	1,287	13,734	250	14,898
Contractual services	79,065		79,065	78,953		78,953	112	59,835
Other services	14,075		14,075	14,044		14,044	31	10,875
	<u>590,725</u>	<u>(375)</u>	<u>590,350</u>	<u>577,114</u>	<u>1,287</u>	<u>578,401</u>	<u>11,949</u>	<u>504,133</u>
Inspection								
Personnel	595,078		595,078	599,987		599,987	(4,909)	693,856
Commodities	60,596		60,596	60,220	271	60,491	105	36,623
Contractual services	180,780	(7,927)	172,853	175,568	(3,827)	171,741	1,112	189,702
Other services	15,580	(800)	14,780	15,511	(800)	14,711	69	12,087
Capital outlay	14,588		14,588	14,588		14,588		17,941
	<u>866,622</u>	<u>(8,727)</u>	<u>857,895</u>	<u>865,874</u>	<u>(4,356)</u>	<u>861,518</u>	<u>(3,623)</u>	<u>950,209</u>
Code Enforcement								
Personnel	217,918		217,918	213,578		213,578	4,340	
Commodities	14,829		14,829	12,553	108	12,661	2,168	
Contractual services	17,266		17,266	15,232		15,232	2,034	
Other services	3,700		3,700	3,003		3,003	697	
	<u>253,713</u>		<u>253,713</u>	<u>244,366</u>	<u>108</u>	<u>244,474</u>	<u>9,239</u>	
Total Planning	<u>1,711,060</u>	<u>(9,102)</u>	<u>1,701,958</u>	<u>1,687,354</u>	<u>(2,961)</u>	<u>1,684,393</u>	<u>17,565</u>	<u>1,454,342</u>
Total Expenditures	<u>\$ 22,882,589</u>	<u>\$ (345,809)</u>	<u>\$ 22,536,780</u>	<u>\$ 21,504,752</u>	<u>\$ (154,681)</u>	<u>\$ 21,283,894</u>	<u>\$ 1,252,886</u>	<u>\$ 20,288,236</u>

City of Missouri City, Texas

PARK LAND DEDICATION FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

For the Year Ended June 30, 2004

	2004						
	Accounting Control Budget	2003 Prior Year Encumbrances	Final Budget	GAAP Actual	Encumbrance Adjustments	Budgetary Actual	Variance Positive (Negative)
Revenues							
Other	\$ 8,000	\$	\$ 8,000	\$ 163,471	\$	\$ 163,471	\$ 155,471
Total Revenues	<u>8,000</u>		<u>8,000</u>	<u>163,471</u>		<u>163,471</u>	<u>155,471</u>
Expenditures							
Current:							
Parks and recreation	318,152	(17,500)	300,652	45,047	(11,533)	33,514	267,138
Total Expenditures	<u>318,152</u>	<u>(17,500)</u>	<u>300,652</u>	<u>45,047</u>	<u>(11,533)</u>	<u>33,514</u>	<u>267,138</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(310,152)</u>	<u>17,500</u>	<u>(292,652)</u>	<u>118,424</u>	<u>11,533</u>	<u>129,957</u>	<u>422,609</u>
Fund balances, beginning	<u>557,809</u>		<u>557,809</u>	<u>557,809</u>		<u>557,809</u>	
Fund Balances, Ending	<u>\$ 247,657</u>		<u>\$ 265,157</u>	<u>\$ 676,233</u>		<u>\$ 687,766</u>	<u>\$ 422,609</u>

City of Missouri City, Texas

LAW ENFORCEMENT FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

For the Year Ended June 30, 2004

	2004				Variance
	Final Budget	GAAP Actual	Encumbrance Adjustments	Budgetary Actual	Positive (Negative)
<u>Revenues</u>					
Intergovernmental	\$ 61,381	\$ 82,448	\$	\$ 82,448	\$ 21,067
Other	300	270		270	(30)
Total Revenues	<u>61,681</u>	<u>82,718</u>		<u>82,718</u>	<u>21,037</u>
<u>Expenditures</u>					
Current:					
Police	46,000	34,684	10,425	45,109	10,425
Total Expenditures	<u>46,000</u>	<u>34,684</u>	<u>10,425</u>	<u>45,109</u>	<u>10,425</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>15,681</u>	<u>48,034</u>	<u>(10,425)</u>	<u>37,609</u>	<u>31,462</u>
Fund balances, beginning	<u>11,784</u>	<u>11,784</u>		<u>11,784</u>	
Fund Balances, Ending	<u>\$ 27,465</u>	<u>\$ 59,818</u>		<u>\$ 49,393</u>	<u>\$ 31,462</u>

City of Missouri City, Texas

RADIO COMMUNICATIONS FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) For the Year Ended June 30, 2004

	2004						
	Accounting Control Budget	2003 Prior Year Encumbrances	Final Budget	GAAP Actual	Encumbrance Adjustments	Budgetary Actual	Variance Positive (Negative)
Revenues							
Intergovernmental	\$ 63,775	\$	\$ 63,775	\$ 70,355		\$ 70,355	\$ 6,580
Other	52,487		52,487	52,355		52,355	(132)
Total Revenues	<u>116,262</u>		<u>116,262</u>	<u>122,710</u>		<u>122,710</u>	<u>6,448</u>
Expenditures							
Current:							
Police	117,094	(832)	116,262	123,214	(832)	122,382	(6,120)
Total Expenditures	<u>117,094</u>	<u>(832)</u>	<u>116,262</u>	<u>123,214</u>	<u>(832)</u>	<u>122,382</u>	<u>(6,120)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(832)</u>	<u>832</u>		<u>(504)</u>	<u>832</u>	<u>328</u>	<u>328</u>
Fund balances, beginning	<u>14,172</u>		<u>14,172</u>	<u>14,172</u>		<u>14,172</u>	
Fund Balances, Ending	<u>\$ 13,340</u>		<u>\$ 14,172</u>	<u>\$ 13,668</u>		<u>\$ 14,500</u>	<u>\$ 328</u>

City of Missouri City, Texas

COMMUNITY DEVELOPMENT BLOCK GRANT FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

For the Year Ended June 30, 2004

	2004						Variance Positive (Negative)
	Accounting Control Budget	2003 Prior Year Encumbrances	Final Budget	GAAP Actual	Encumbrance Adjustments	Budgetary Actual	
Revenues							
Intergovernmental	\$ 360,700	\$	\$ 360,700	\$ 191,200	\$	\$ 191,200	\$ (169,500)
Total Revenues	<u>360,700</u>		<u>360,700</u>	<u>191,200</u>		<u>191,200</u>	<u>(169,500)</u>
Expenditures							
Current:							
Planning	378,300	(17,600)	360,700	186,936	4,208	191,144	169,556
Total Expenditures	<u>378,300</u>	<u>(17,600)</u>	<u>360,700</u>	<u>186,936</u>	<u>4,208</u>	<u>191,144</u>	<u>169,556</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(17,600)</u>	<u>17,600</u>		<u>4,264</u>	<u>(4,208)</u>	<u>56</u>	<u>56</u>
Fund balances, beginning	<u>21,433</u>		<u>21,433</u>	<u>21,433</u>		<u>21,433</u>	
Fund Balances, Ending	<u>\$ 3,833</u>		<u>\$ 21,433</u>	<u>\$ 25,697</u>		<u>\$ 21,489</u>	<u>\$ 56</u>

City of Missouri City, Texas

REGIONAL WASTEWATER OPERATING FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2004

	<u>Final Budget</u>	<u>GAAP Actual</u>	<u>Variance Positive (Negative)</u>
<u>Revenues</u>			
Other	\$ 426,770	\$ 379,026	\$ (47,744)
Total Revenues	<u>426,770</u>	<u>379,026</u>	<u>(47,744)</u>
<u>Expenditures</u>			
Current:			
Public works	370,660	372,275	(1,615)
Total Expenditures	<u>370,660</u>	<u>372,275</u>	<u>(1,615)</u>
Excess of Revenues Over Expenditures	<u>56,110</u>	<u>6,751</u>	<u>(49,359)</u>
Fund balances, beginning	<u>85,914</u>	<u>85,914</u>	
Fund Balances, Ending	<u><u>\$ 142,024</u></u>	<u><u>\$ 92,665</u></u>	<u><u>\$ (49,359)</u></u>

City of Missouri City, Texas

HIGHTOWER LIFSTATION FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2004

	2004		Variance
	Final Budget	GAAP Actual	Positive (Negative)
<u>Revenues</u>			
Other	\$ 7,792	\$ 5,684	\$ (2,108)
Total Revenues	<u>7,792</u>	<u>5,684</u>	<u>(2,108)</u>
<u>Expenditures</u>			
Current:			
Public works	7,792	5,684	2,108
Total Expenditures	<u>7,792</u>	<u>5,684</u>	<u>2,108</u>
Excess of Revenues Over Expenditures	<u> </u>	<u> </u>	<u> </u>
Fund balances, beginning	<u> </u>	<u> </u>	<u> </u>
Fund Balances, Ending	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>

City of Missouri City, Texas

LEXINGTON SQUARE WATER/SEWER FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2004

	2004		
	Final Budget	GAAP Actual	Variance Positive (Negative)
<u>Revenues</u>			
Other	\$ 434,529	\$ 166,764	\$ (267,765)
Total Revenues	<u>434,529</u>	<u>166,764</u>	<u>(267,765)</u>
<u>Expenditures</u>			
Current:			
Public works	<u>212,845</u>	<u>225,758</u>	<u>(12,913)</u>
Total Expenditures	<u>212,845</u>	<u>225,758</u>	<u>(12,913)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>221,684</u>	<u>(58,994)</u>	<u>(280,678)</u>
Fund balances, beginning	<u>143,672</u>	<u>143,672</u>	
Fund Balances, Ending	<u><u>\$ 365,356</u></u>	<u><u>\$ 84,678</u></u>	<u><u>\$ (280,678)</u></u>

City of Missouri City, Texas

DEVELOPMENT AUTHORITY FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2004

	2004		Variance
	Final Budget	GAAP Actual	Positive (Negative)
<u>Revenues</u>			
Intergovernmental	\$	\$	\$
Total Revenues			
<u>Expenditures</u>			
Current:			
General government	61,002	70,132	(9,130)
Total Expenditures	61,002	70,132	(9,130)
(Deficiency) of Revenues (Under) Expenditures	(61,002)	(70,132)	(9,130)
<u>Other Financing Sources (Uses)</u>			
Transfers from other funds	61,002	70,132	9,130
Total Other Financing Sources (Uses)	61,002	70,132	9,130
Net Change in Fund Balance			
Fund balances, beginning			
Fund Balances, Ending	\$	\$	\$

City of Missouri City, Texas

TIRZ #1 FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2004

	2004		Variance
	Final Budget	GAAP Actual	Positive (Negative)
<u>Revenues</u>			
Intergovernmental	\$ 1,943,730	\$ 45,835	\$ (1,897,895)
Other		450	450
Total Revenues	<u>1,943,730</u>	<u>46,285</u>	<u>(1,897,445)</u>
<u>Expenditures</u>			
Current:			
General government	<u>1,935,436</u>	<u>280</u>	<u>1,935,156</u>
Total Expenditures	<u>1,935,436</u>	<u>280</u>	<u>1,935,156</u>
Excess of Revenues Over Expenditures	<u>8,294</u>	<u>46,005</u>	<u>37,711</u>
<u>Other Financing Sources (Uses)</u>			
Transfers from other funds	7,580	54,421	46,841
Transfers (to) other funds	(15,630)	(17,533)	(1,903)
Total Other Financing Sources (Uses)	<u>(8,050)</u>	<u>36,888</u>	<u>44,938</u>
Net Change in Fund Balance	244	82,893	82,649
Fund balances, beginning	<u>43,338</u>	<u>43,338</u>	
Fund Balances, Ending	<u>\$ 43,582</u>	<u>\$ 126,231</u>	<u>\$ 82,649</u>

City of Missouri City, Texas

TIRZ #2 FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

For the Year Ended June 30, 2004

	2004				Variance
	Final Budget	GAAP Actual	Encumbrance Adjustments	Budgetary Actual	Positive (Negative)
Revenues					
Intergovernmental	\$ 3,118,391	\$ 42,116		\$ 42,116	\$ (3,076,275)
Other		3,650		3,650	3,650
Total Revenues	<u>3,118,391</u>	<u>45,766</u>		<u>45,766</u>	<u>(3,072,625)</u>
Expenditures					
Current:					
General government	2,721,080	51,265	586,617	637,882	2,083,198
Total Expenditures	<u>2,721,080</u>	<u>51,265</u>	<u>586,617</u>	<u>637,882</u>	<u>2,083,198</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>397,311</u>	<u>(5,499)</u>	<u>(586,617)</u>	<u>(592,116)</u>	<u>(989,427)</u>
Other Financing Sources (Uses)					
Transfers from other funds	15,668	663,319		663,319	647,651
Transfers (to) other funds	(299,502)	(17,533)		(17,533)	281,969
Total Other Financing Sources (Uses)	<u>(283,834)</u>	<u>645,786</u>		<u>645,786</u>	<u>929,620</u>
Change in Fund Balance	<u>113,477</u>	<u>640,287</u>	<u>(586,617)</u>	<u>53,670</u>	<u>(59,807)</u>
Fund balances, beginning	<u>10,880</u>	<u>10,880</u>		<u>10,880</u>	
Fund Balances, Ending	<u>\$ 124,357</u>	<u>\$ 651,167</u>		<u>\$ 64,550</u>	<u>\$ (59,807)</u>

City of Missouri City, Texas

PID #2 FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2004

	2004		
	Final Budget	Budgetary Actual	Variance Positive (Negative)
<u>Revenues</u>			
Other revenue	\$ 3,031,246	\$ 10,004	\$ (3,021,242)
Total Revenues	<u>3,031,246</u>	<u>10,004</u>	<u>(3,021,242)</u>
<u>Expenditures</u>			
Current:			
General government	3,031,246	10,000	3,021,246
Total Expenditures	<u>3,031,246</u>	<u>10,000</u>	<u>3,021,246</u>
Excess of Revenues Over Expenditures		4	4
<u>Other Financing Sources (Uses)</u>			
Transfers from other funds	15,251	17,533	2,282
Transfers (to) other funds	<u>(15,251)</u>	<u>(17,533)</u>	<u>(2,282)</u>
Total Other Financing Sources (Uses)			
Change in Fund Balance		4	4
Fund balances, beginning			
Fund balances, Ending	<u>\$</u>	<u>\$ 4</u>	<u>\$ 4</u>

City of Missouri City, Texas

DEBT SERVICE FUND COMPARATIVE BALANCE SHEETS

June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 1,581,287	\$ 1,016,696
Investments	422,708	272,871
Receivables:		
Property taxes	326,750	349,664
Less: Allowance for estimated uncollectibles	(21,094)	(33,299)
Other receivables	<u>3,592</u>	<u>3,592</u>
Total Assets	<u><u>\$ 2,309,651</u></u>	<u><u>\$ 1,609,524</u></u>
 <u>Liabilities and Fund Balance</u>		
<u>Liabilities</u>		
Accounts payable	\$ 1,950	\$ 2,700
Deferred revenue	<u>305,656</u>	<u>249,880</u>
Total Liabilities	<u>307,606</u>	<u>252,580</u>
 <u>Fund Balance</u>		
Unreserved:		
Designated for debt service	<u>2,002,045</u>	<u>1,356,944</u>
Total Liabilities and Fund Balance	<u><u>\$ 2,309,651</u></u>	<u><u>\$ 1,609,524</u></u>

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City of Missouri City, Texas

DEBT SERVICE FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

Year Ended June 30, 2004
with Comparative Actual Balances for the Year Ended June 30, 2003

	2004			
	Final Budget	Actual	Variance Positive (Negative)	2003 Actual
<u>Revenues</u>				
Property Taxes and Penalties:				
Property taxes - current	\$ 4,554,695	\$ 4,502,465	\$ (52,230)	\$ 3,800,612
Property taxes - delinquent	115,000	170,565	55,565	134,841
Rollbacks - current		1,144	1,144	676
Rollbacks - delinquent	500	2,778	2,278	35,797
Penalties and interest	52,700	61,593	8,893	68,720
	4,722,895	4,738,545	15,650	4,040,646
Other Revenues -				
Investment earnings	10,000	50,945	40,945	36,762
Total Revenues	4,732,895	4,789,490	56,595	4,077,408
<u>Expenditures</u>				
Debt Service:				
Principal retirement	2,720,188	2,717,982	2,206	2,453,211
Interest	1,400,651	1,400,537	114	1,515,190
Fiscal agent fees	7,000	3,450	3,550	3,700
Total Expenditures	4,127,839	4,121,969	5,870	3,972,101
Excess of Revenues Over Expenditures	605,056	667,521	62,465	105,307
<u>Other Financing Sources (Uses)</u>				
Transfer (to) TIRZ 1 Fund	(2,186)	(15,695)	(13,509)	(2,133)
Transfer (to) TIRZ 2 Fund	(4,519)	(6,725)	(2,206)	(4,409)
Total Other Financing Sources/(Uses)	(6,705)	(22,420)	(15,715)	(6,542)
Change in Fund Balance	598,351	645,101	46,750	98,765
Fund Balance - beginning	1,356,944	1,356,944		1,258,179
Fund Balance - Ending	<u>\$ 1,955,295</u>	<u>\$ 2,002,045</u>	<u>\$ 46,750</u>	<u>\$ 1,356,944</u>

City of Missouri City, Texas
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS

June 30, 2004

	Fleet Maintenance Fund	MIS Maintenance Fund	Building Maintenance Fund
<u>Assets</u>			
Current Assets:			
Cash and cash equivalents	\$ 15,853	\$ 42,181	\$ 21,849
Investments	4,238	11,276	5,841
Receivables:			
Other net of allowance account			16,748
Inventories	34,076		
Total Current Assets	<u>54,167</u>	<u>53,457</u>	<u>44,438</u>
Noncurrent Assets:			
Capital Assets:			
Equipment			
Less accumulated depreciation			
Total Capital Assets			
Total Assets	<u>\$ 54,167</u>	<u>\$ 53,457</u>	<u>\$ 44,438</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	\$ 35,808	\$ 24,588	\$ 33,983
Total Current Liabilities	<u>35,808</u>	<u>24,588</u>	<u>33,983</u>
Noncurrent Liabilities:			
Accrued compensated absences	18,387	16,007	9,787
Total Liabilities	<u>54,195</u>	<u>40,595</u>	<u>43,770</u>
<u>Net Assets</u>			
Invested in capital assets			
Unrestricted	(28)	12,862	668
Total Net Assets	<u>(28)</u>	<u>12,862</u>	<u>668</u>
Total Liabilities and Net Assets	<u>\$ 54,167</u>	<u>\$ 53,457</u>	<u>\$ 44,438</u>

Fleet Asset Replacement Fund	MIS Asset Replacement Fund	Total
\$ 961,476	\$ 326,661	\$ 1,368,020
257,021	87,323	365,699
		16,748
		34,076
<u>1,218,497</u>	<u>413,984</u>	<u>1,784,543</u>
5,828,860	1,957,060	7,785,920
(3,099,175)	(1,026,950)	(4,126,125)
<u>2,729,685</u>	<u>930,110</u>	<u>3,659,795</u>
<u>\$ 3,948,182</u>	<u>\$ 1,344,094</u>	<u>\$ 5,444,338</u>
\$	\$	\$ 94,379
		94,379
		44,181
		138,560
2,729,685	930,110	3,659,795
1,218,497	413,984	1,645,983
<u>3,948,182</u>	<u>1,344,094</u>	<u>5,305,778</u>
<u>\$ 3,948,182</u>	<u>\$ 1,344,094</u>	<u>\$ 5,444,338</u>

City of Missouri City, Texas

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2004

	Fleet Maintenance Fund	MIS Maintenance Fund	Building Maintenance Fund
<u>Operating Revenues</u>			
Charges for services	\$ 541,602	\$ 984,207	\$ 539,078
Miscellaneous reimbursements			
Total Operating Revenues	<u>541,602</u>	<u>984,207</u>	<u>539,078</u>
<u>Operating Expenses</u>			
Cost of sales and services	584,443	982,421	580,192
Depreciation			
Total Operating Expenses	<u>584,443</u>	<u>982,421</u>	<u>580,192</u>
Operating Income (Loss)	<u>(42,841)</u>	<u>1,786</u>	<u>(41,114)</u>
<u>Non Operating Revenues (Expenses)</u>			
Investment earnings	1,613	872	748
(Loss) on sale of capital assets			
Total Non-Operating Revenue (Expenses)	<u>1,613</u>	<u>872</u>	<u>748</u>
Income (Loss) Before Contributions and Transfers	<u>(41,228)</u>	<u>2,658</u>	<u>(40,366)</u>
<u>Contributions and Transfers</u>			
Capital contributions - governmental funds			
Transfers in			13,032
Transfers (out)	<u>(151,279)</u>	<u>(27,508)</u>	<u>(12,057)</u>
Total Contributions and Transfers	<u>(151,279)</u>	<u>(27,508)</u>	<u>975</u>
Change in Net Assets	<u>(192,507)</u>	<u>(24,850)</u>	<u>(39,391)</u>
Net assets, beginning	<u>192,479</u>	<u>37,712</u>	<u>40,059</u>
Net Assets, Ending	<u>\$ (28)</u>	<u>\$ 12,862</u>	<u>\$ 668</u>

Fleet Asset Replacement Fund	MIS Asset Replacement Fund	Total
\$ 224,984	\$ 74,445	\$ 2,364,316
9,912		9,912
<u>234,896</u>	<u>74,445</u>	<u>2,374,228</u>
		2,147,056
451,451	300,927	752,378
<u>451,451</u>	<u>300,927</u>	<u>2,899,434</u>
(216,555)	(226,482)	(525,206)
4,220	1,974	9,427
(49,002)		(49,002)
<u>(44,782)</u>	<u>1,974</u>	<u>(39,575)</u>
(261,337)	(224,508)	(564,781)
177,472	364,099	541,571
349,492	9,443	371,967
	(337,435)	(528,279)
<u>526,964</u>	<u>36,107</u>	<u>385,259</u>
265,627	(188,401)	(179,522)
<u>3,682,555</u>	<u>1,532,495</u>	<u>5,485,300</u>
<u>\$ 3,948,182</u>	<u>\$ 1,344,094</u>	<u>\$ 5,305,778</u>

City of Missouri City, Texas

COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2004

	Fleet Maintenance Fund	MIS Maintenance Fund
<u>Cash Flows from Operating Activities</u>		
Receipts from customers and users	\$ 543,067	\$ 985,304
Receipts from reimbursements		
Disbursed for personnel services	(217,401)	(467,718)
Disbursed for goods and services to suppliers	(381,924)	(531,269)
Net Cash Provided (Used) by Operating Activities	(56,258)	(13,683)
<u>Cash Flows from Noncapital Financing Activities</u>		
Transfers from other funds		
Transfer (to) other funds	(151,279)	(27,508)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	(151,279)	(27,508)
<u>Cash Flows from Capital & Related Financing Activities</u>		
Purchases of equipment		
Net Cash Provided (Used) by Capital & Related Financing Activities		
<u>Cash Flows from Investing Activities</u>		
Interest received	1,613	872
Purchase of investments	(1,954,364)	(1,954,364)
Proceeds from disposition of investments	2,061,430	2,026,410
Net Cash Provided by Investing Activities	108,679	72,918
Net Increase (Decrease) in Cash and Cash Equivalents	(98,858)	31,727
Cash and cash equivalents, beginning	114,711	10,454
Cash and Cash Equivalents, Ending	\$ 15,853	\$ 42,181
<u>Reconciliation of Operating Income (Loss) to</u>		
Net Cash Provided (Used) by Operating Activities		
Operating income (loss)	\$ (42,841)	\$ 1,786
Adjustments to reconcile operating income to net cash used by operating activities:		
Depreciation		
(Increase) decrease in account receivable	1,465	1,097
Decrease in due from other funds		
(Increase) decrease in inventories	(11,487)	
(Decrease) increase in accounts payable	(4,989)	(12,535)
(Decrease) increase in compensated absences payable	1,594	(4,031)
Total adjustments	(13,417)	(15,469)
Net Cash Provided (Used) by Operating Activities	\$ (56,258)	\$ (13,683)

Noncash Investing, Capital and Financing Activities:

Capital asset contributions from governmental funds

Building Maintenance Fund	Fleet Asset Replacement Fund	MIS Asset Replacement Fund	Total
\$ 522,530	\$ 899,984 9,912	\$ 749,445	\$ 3,700,330 9,912
(222,664)			(907,783)
(345,821)			(1,259,014)
(45,955)	909,896	749,445	1,543,445
13,032	349,492	9,443	371,967
(12,057)		(337,435)	(528,279)
975	349,492	(327,992)	(156,312)
	(45,111)	(9,443)	(54,554)
	(45,111)	(9,443)	(54,554)
748	4,220	1,974	9,427
(1,954,364)	(1,954,364)	(1,954,364)	(9,771,820)
1,963,742	1,697,343	1,867,041	9,615,966
10,126	(252,801)	(85,349)	(146,427)
(34,854)	961,476	326,661	1,186,152
56,703			181,868
\$ 21,849	\$ 961,476	\$ 326,661	\$ 1,368,020
\$ (41,114)	\$ (216,555)	\$ (226,482)	\$ (525,206)
	451,451	300,927	752,378
(16,548)			(13,986)
	675,000	675,000	1,350,000
			(11,487)
13,256			(4,268)
(1,549)			(3,986)
(4,841)	1,126,451	975,927	2,068,651
\$ (45,955)	\$ 909,896	\$ 749,445	\$ 1,543,445
	177,472	364,099	541,571

City of Missouri City, Texas
COMBINING STATEMENT OF NET ASSETS
AGENCY FUNDS

June 30, 2004

	Municipal Court Bond Deposit Fund	HCC Tax Collections Fund	Total
<u>Assets</u>			
Cash and cash equivalents	\$ 6,755	\$ 19,470	\$ 26,225
Investments		7,010	7,010
Receivables:			
Property taxes		117,809	117,809
Less: Allowance for estimated uncollectibles		(2,437)	(2,437)
Total Assets	\$ 6,755	\$ 141,852	\$ 148,607
<u>Liabilities</u>			
Due to others	\$ 6,755	\$ 141,852	\$ 148,607

City of Missouri City, Texas

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES AGENCY FUNDS

June 30, 2004

	Municipal Court Bond Deposit Fund	HCC Tax Collections Fund	Total
Beginning balance	\$ 1,979	\$ 148,358	\$ 150,337
Additions	4,776	2,191,448	2,196,224
Reductions		(2,197,954)	(2,197,954)
Ending Balance	\$ 6,755	\$ 141,852	\$ 148,607

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City of Missouri City, Texas

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL AND INTERNAL SERVICE FUNDS COMPARATIVE SCHEDULES BY SOURCE (1)

June 30, 2004 and 2003

	2004	2003
Governmental and Internal Service Funds Capital Assets:		
Land	\$ 9,829,020	\$ 9,763,630
Buildings	17,087,151	17,080,389
Improvements other than buildings	3,409,471	3,409,471
Machinery and equipment	9,040,321	8,751,549
Infrastructure	19,447,234	18,678,134
Construction in progress	1,953,055	364,213
Total Governmental and Internal Service Funds Capital Assets	\$ 60,766,252	\$ 58,047,386
Investments in Governmental and Internal Service Funds Capital Assets by Source:		
General fund	\$ 5,120,449	\$ 5,266,964
Special revenue funds	3,949,942	3,857,912
Capital projects funds	41,590,607	39,202,855
Capital projects funds - Wastewater Treatment Plant	8,989,064	8,628,855
Donations	1,116,190	1,090,800
Total Governmental and Internal Service Funds Capital Assets	\$ 60,766,252	\$ 58,047,386

(1) - This schedule presents the capital asset balances related to both governmental and internal service funds. The internal service fund assets are included as governmental activities in the statement of net assets. Internal service fund capital assets include fleet and technology equipment maintained for asset replacement purposes in accordance with a multi-year asset procurement plan. The original balances of internal service fund capital assets were transferred from general governmental capital asset balances in the 2003 fiscal year. In future years, these internal service funds will provide funding for fleet and MIS equipment. At June 30, 2004, the internal service fund capital assets were as follows:

Fleet asset replacement fund	\$ 5,828,860
MIS asset replacement fund	1,957,060
	\$ 7,785,920

City of Missouri City, Texas

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL AND INTERNAL SERVICE FUNDS SCHEDULE BY FUNCTION AND ACTIVITY

June 30, 2004

Function and Activity	Land	Buildings	Improvements Other Than Buildings	Machinery and Equipment
General Government				
Council and management	\$ 8,358,260	\$ 544,571	\$ 56,890	\$ 133,186
City secretary		94,026	10,113	115,419
Human resources		27,943	3,005	25,953
Legal		85,021	9,144	62,552
Municipal court		390,892		97,853
Computer services		490,929	14,435	
Finance				
Budget and administration		62,640	6,737	135,886
Purchasing and central store		385,042	12,035	73,481
Accounting		181,497	19,520	136,163
Police				
Police administration		319,505	27,533	393,101
Animal control		74,978	131,488	59,887
Support services		619,436	47,576	311,783
Criminal investigations		697,848	60,988	425,947
Patrol		1,483,264	145,520	861,709
Fire				
Fire administration		188,875	15,599	74,074
Fire prevention		89,099	7,038	86,937
Fire training		119,321	9,579	68,326
Fire operations		2,924,717	273,011	2,355,982
Public Works				
Engineering		319,947	36,669	251,419
Streets, drainage, and traffic control		1,434,156	330,842	1,703,624
Wastewater treatment plant	1,470,760	3,648,219	97,562	558,134
Fleet				19,571
Parks and Recreation				
Parks		993,491	2,079,874	488,424
Recreation		1,249,463	2,987	131,554
Building maintenance		10,227	1,595	70,580
Media relations		37,279	4,009	34,290
Planning				
Planning		346,731	513	100,905
Inspection		205,341	4,580	182,953
Code enforcement		62,693	629	80,628
Total	<u>\$ 9,829,020</u>	<u>\$ 17,087,151</u>	<u>\$ 3,409,471</u>	<u>\$ 9,040,321</u>

<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
\$	\$	\$ 9,092,907
		219,558
		56,901
		156,717
		488,745
		505,364
		205,263
		470,558
		337,180
		740,139
		266,353
		978,795
		1,184,783
		2,490,493
		278,548
		183,074
		197,226
	19,653	5,573,363
		608,035
17,204,467	1,699,266	22,372,355
2,218,879		7,993,554
	12,000	31,571
23,888	222,136	3,807,813
		1,384,004
		82,402
		75,578
		448,149
		392,874
		143,950
<u>\$ 19,447,234</u>	<u>\$ 1,953,055</u>	<u>\$ 60,766,252</u>

City of Missouri City, Texas

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL AND INTERNAL SERVICE FUNDS

SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY

For the Fiscal Year Ended June 30, 2004

Function and Activity	Capital Assets July 1, 2003	Additions	Deductions	Capital Assets June 30, 2004
General Government				
Council and management	\$ 9,005,104	\$ 87,803		\$ 9,092,907
City secretary	200,881	18,677		219,558
Personnel	53,166	3,735		56,901
Legal	145,511	11,206		156,717
Municipal court	470,068	18,677		488,745
Information technology	505,364			505,364
Finance				
Budget and administration	190,321	14,942		205,263
Purchasing and central store	459,352	11,206		470,558
Accounting	318,503	18,677		337,180
Police				
Police administration	724,994	15,145		740,139
Animal control	266,272	81		266,353
Support services	945,127	33,668		978,795
Criminal investigations	1,141,563	54,955	(11,735)	1,184,783
Patrol	2,367,066	185,361	(61,934)	2,490,493
Fire				
Fire administration	256,868	21,680		278,548
Fire prevention	175,584	7,490		183,074
Fire training	193,457	3,769		197,226
Fire operations	5,482,485	121,160	(30,282)	5,573,363
Public Works				
Engineering	593,924	56,383	(42,272)	608,035
Fleet	15,836	15,735		31,571
Streets, drainage, and traffic control	20,991,538	1,749,378	(368,561)	22,372,355
Wastewater treatment plant	7,484,059	509,495		7,993,554
Parks and Recreation				
Parks	3,570,728	255,673	(18,588)	3,807,813
Recreation	1,368,971	15,033		1,384,004
Building maintenance	76,168	17,291	(11,057)	82,402
Media relations	75,579			75,579
Planning				
Planning	436,927	11,222		448,149
Inspection	399,246	29,670	(36,042)	392,874
Code enforcement	132,724	11,225		143,949
Total	\$ 58,047,386	\$ 3,299,337	\$ (580,471)	\$ 60,766,252

City of Missouri City, Texas

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)

Last Ten Fiscal Years

Fiscal Year Ended June 30,	General Government	Finance	Public Safety	Public Works
1995	\$ 902,048	\$ 1,242,795	\$ 5,654,035	\$ 1,896,931
1996	864,417	947,928	5,939,356	1,868,811
1997	1,262,649	1,025,624	6,246,567	1,829,699
1998	1,813,790	1,125,829	6,983,610	2,237,856
1999	1,182,674	1,204,660	7,790,287	2,309,546
2000	1,949,751	1,056,609	8,290,634	2,457,745
2001	1,503,320	1,251,390	8,712,353	2,631,137
2002	1,704,893	1,351,031	9,167,933	2,599,729
2003	2,054,106	1,589,658	10,237,742	2,976,108
2004	2,133,333	1,671,809	11,185,766	2,864,517

(1) - Includes general governmental expenditures of the General Fund and Debt Service Fund.

Table 1

<u>Parks and Recreation</u>	<u>Planning</u>	<u>Debt Service</u>	<u>Total</u>
\$ 1,118,703	\$ 685,411	\$ 2,268,669	\$ 13,768,592
1,149,362	789,758	2,276,396	13,836,028
1,217,933	753,502	3,214,265	15,550,239
1,381,150	804,997	3,699,773	18,047,005
1,409,911	922,981	3,596,626	18,416,685
1,506,110	1,154,262	3,622,726	20,037,837
1,719,726	1,147,454	3,657,480	20,622,860
1,892,684	1,300,507	4,117,504	22,134,281
1,976,280	1,454,342	3,972,101	24,260,337
1,961,973	1,687,354	4,121,969	25,626,721

City of Missouri City, Texas
GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Property Taxes and Penalties	Other Taxes (2)	Licenses and Permits	Fines and Forfeitures
1995	\$ 8,253,132	\$ 1,553,546	\$ 748,349	\$ 391,245
1996	8,713,300	1,553,189	999,510	499,969
1997	9,256,022	1,863,833	939,054	531,291
1998	9,966,073	2,180,223	1,310,359	478,302
1999	10,514,194	2,392,470	1,341,316	509,227
2000	11,292,480	2,502,757	1,500,776	541,151
2001	12,122,941	2,738,237	1,438,534	602,888
2002	12,929,001	3,665,426	1,755,126	589,510
2003	14,191,217	3,665,575	2,450,898	714,046
2004	15,753,716	3,875,756	2,374,827	836,621

(1) - Includes general governmental revenues of the General Fund and Debt Service Fund.

(2) - Primarily sales tax.

(3) - Includes a \$600,315 reimbursement from Houston Metropolitan Transit Authority.

Table 2

Franchise Fees	Inter- governmental Revenues	Other Revenues	Total
\$ 2,002,874	\$ 61,838	\$ 723,189	\$ 13,734,173
1,725,850	133,809	743,121	14,368,748
1,926,079	726,892 (3)	696,875	15,940,046
1,949,579	36,067	980,870	16,901,473
2,297,422	82,694	936,280	18,073,603
2,330,528	130,495	1,282,404	19,580,591
2,680,008	155,714	1,007,773	20,746,095
2,735,772	139,290	985,500	22,799,625
2,507,228	186,998	1,114,782	24,830,744
2,673,264	192,525	1,186,697	26,893,406

City of Missouri City, Texas
PROPERTY TAX LEVIES AND COLLECTIONS (1)
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Total Tax Levy (2)	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections
1995	\$ 8,197,261	\$ 8,069,849	98.45%	\$ 131,397
1996	8,572,213	8,448,569	98.56%	95,766
1997	9,234,642	9,055,914	98.06%	106,259
1998	9,871,804	9,688,736	98.15%	149,099
1999	10,490,172	10,178,073	97.02%	161,462
2000	11,187,291	10,835,259	96.85%	261,625
2001	11,896,332	11,477,958	96.48%	381,388
2002	12,755,356	12,204,578	95.68%	357,542
2003	13,576,934	12,992,334	95.69%	467,520
2004	15,568,634	14,955,664	96.06%	609,027

(1) - A property tax system was initiated in the 1970-71 fiscal year. Taxes are levied in August/September (or as soon thereafter as practicable) and become delinquent on February 1 of each year. The City, in accordance with Section 33.07 of the Texas Property Tax Law Annotated 1982, imposes an additional penalty of 15% beginning July 1 to defray cost of collection.

(2) - The total tax levy has been adjusted to reflect additions to and deletions from the tax roll for prior years and write offs of delinquent personal property over 10 years and real property over 20 years.

Source - City Tax Department.

Table 3

Total Tax Collections	Percent of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Total Tax Levy
\$ 8,201,246	100.05%	\$ 261,577	3.19%
8,544,335	99.67%	293,223	3.42%
9,162,173	99.22%	362,666	3.93%
9,837,835	99.66%	396,607	4.02%
10,339,535	98.56%	547,244	5.22%
11,096,884	99.19%	650,821	5.82%
11,859,346	99.69%	650,776	5.47%
12,562,120	98.49%	844,013	6.62%
13,459,854	99.14%	937,900	6.91%
15,564,691	99.97%	1,070,362	6.88%

City of Missouri City, Texas

ASSESSED VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Real Property	Personal Property	Assessed Value (1)	Exemptions Real Property
1995	\$ 1,551,146,505	\$ 102,037,987	\$ 1,653,184,492	\$ 158,982,650
1996	1,608,965,451	108,750,931	1,717,716,382	154,679,100
1997	1,675,450,396	105,148,461	1,780,598,857	156,584,200
1998	1,803,783,776	114,486,024	1,918,269,800	182,181,560
1999	1,946,344,581	111,834,884	2,058,179,465	210,693,205
2000	2,142,976,791	93,491,920	2,236,468,711	203,635,432
2001	2,419,836,816	89,569,395	2,509,406,211	223,347,278
2002	2,651,941,847	98,540,185	2,750,482,032	215,895,016
2003	2,875,699,751	114,723,334	2,990,423,085	228,411,697
2004	3,174,929,491	139,288,902	3,314,218,393	252,973,574

(1) - Assessed valuations are adjusted for exempt property, exemptions and agricultural use, and changes to appraised values during the year.

Source - Fort Bend Central Appraisal District Records.

Table 4

Net Assessed Value	Ratio of Net Taxable Assessed Value to Total Assessed Value	Tax Rates (per \$100 of Assessed Value)		
		General Fund	Debt Service Fund	Total Tax Rates
\$ 1,494,201,842	90.38%	\$ 0.39824	\$ 0.15038	\$ 0.54862
1,563,037,282	91.00%	0.39824	0.15038	0.54862
1,624,014,657	91.21%	0.39824	0.17038	0.56862
1,736,088,240	90.50%	0.39824	0.17038	0.56862
1,847,486,260	89.76%	0.38752	0.18038	0.56790
2,032,833,279	90.89%	0.37280	0.17753	0.55033
2,286,058,933	91.10%	0.36254	0.15749	0.52003
2,534,587,016	92.15%	0.36153	0.14172	0.50325
2,762,011,388	92.36%	0.34974	0.14172	0.49146
3,061,244,819	92.37%	0.35433	0.15567	0.51000

City of Missouri City, Texas
PROPERTY TAX RATES -
DIRECT AND OVERLAPPING GOVERNMENTS (1)
Last Ten Fiscal Years

FORT BEND COUNTY

Fiscal Year	Blue Ridge West MUD		Fort Bend MUD #26		Fort Bend Co. WCID #2		Meadowcreek MUD		Quail Valley UD		Palmer Plant. MUD #1		First Colony MUD #9		Palmer Plant. MUD #2	
	MUD Rate	Over-lapping Rate	MUD Rate	Over-lapping Rate	MUD Rate	Over-lapping Rate	MUD Rate	Over-lapping Rate	MUD Rate	Over-lapping Rate	MUD Rate	Over-lapping Rate	MUD Rate	Over-lapping Rate	MUD Rate	Over-lapping Rate
1995	\$ 0.93	\$ 3.75	\$ 1.57	\$ 4.39	\$ 0.19	\$ 3.01	\$ 0.52	\$ 3.34	\$ 0.35	\$ 3.17	\$ 1.15	\$ 3.97	\$ 0.71	\$ 3.98	\$ 1.15	\$ 3.97
1996	0.94	3.73	1.26	4.05	0.19	2.98	0.52	3.31	0.33	3.12	1.15	3.94	0.69	3.89	1.15	3.94
1997	0.94	3.76	1.19	4.01	0.20	3.02	0.52	3.34	0.34	3.16	1.15	3.97	0.69	3.89	1.15	3.97
1998	0.92	3.76	1.12	3.96	0.18	3.02	0.38	3.22	0.31	3.15	1.15	3.99	0.68	3.88	1.15	3.99
1999	0.87	3.74	1.00	3.87	0.17	3.04	0.51	3.38	0.31	3.18	1.13	4.00	0.68	3.88	1.15	4.02
2000	0.79	3.62	0.87	3.70	0.17	3.00	0.51	3.34	0.31	3.14	1.08	3.91	0.68	3.75	1.07	3.90
2001	0.72	3.61	0.79	3.68	0.16	3.05	0.45	3.34	0.29	3.18	0.95	3.84	0.63	3.69	0.92	3.81
2002	0.65	3.47	0.77	3.59	0.16	2.98	0.44	3.26	0.29	3.11	0.88	3.70	0.59	3.63	0.78	3.60
2003	0.55	3.34	0.77	3.56	0.16	2.95	0.42	3.21	0.28	3.07	0.81	3.60	0.44	3.47	0.78	3.57
2004	0.55	3.33	0.77	3.55	0.16	2.94	0.42	3.20	0.28	3.06	0.79	3.57	0.41	3.43	0.68	3.46

HARRIS COUNTY

Fiscal Year	Harris County WC & ID (Fondren Road)		Southwest Harris County MUD #1		Harris County MUD #122		Missouri City	Houston ISD	Houston Comm. College	(3) Harris County
	MUD Rate	Over-lapping Rate	MUD Rate	Over-lapping Rate	MUD Rate	Over-lapping Rate				
1995	\$ 0.86	\$ 3.42	\$ 0.97	\$ 3.53	\$ 1.50	\$ 4.06	\$ 0.55	\$ 1.38	\$ 0.00	\$ 0.63
1996	0.90	3.91	0.99	4.00	1.30	4.31	0.55	1.84	0.00	0.62
1997	0.89	3.49	0.99	3.59	1.45	4.05	0.57	1.38	0.00	0.65
1998	0.89	3.49	0.98	3.58	1.47	4.07	0.57	1.38	0.00	0.65
1999	0.89	3.57	0.97	3.65	1.47	4.15	0.57	1.46	0.00	0.65
2000	0.97	3.63	0.87	3.53	1.40	4.06	0.55	1.46	0.00	0.65
2001	0.90	3.67	0.81	3.58	1.32	4.09	0.52	1.52	0.08	0.65
2002	0.90	3.71	0.79	3.60	1.19	4.00	0.50	1.58	0.08	0.65
2003	0.83	3.63	1.10	3.90	1.15	3.95	0.49	1.58	0.08	0.65
2004	0.78	3.60	1.10	3.92	1.10	3.92	0.51	1.58	0.08	0.65

Note - Property Tax rates based on per \$100 of assessed valuation.

Table 5

Fort Bend MUD #49		Fort Bend MUD #46		Thunderbird MUD		Fort Bend MUD #42		Fort Bend MUD #47		Fort Bend MUD #48		Fort Bend MUD #115		(2) First Colony LID					
MUD Rate	Over- lapping Rate	MUD Rate	Over- lapping Rate	MUD Rate	Over- lapping Rate	MUD Rate	Over- lapping Rate	MUD Rate	Over- lapping Rate	MUD Rate	Over- lapping Rate	MUD Rate	Over- lapping Rate	MUD Rate	Over- lapping Rate	Mo. City	Fort Bend ISD	Fort Bend County	Houston Comm College
\$ 1.00	\$ 3.82	\$ 1.20	\$ 4.02	\$ 0.35	\$ 3.17	\$ 1.04	\$ 3.86	\$ 1.48	\$ 4.30	\$ 1.20	\$ 4.02	\$ 0.00	\$ 2.82	\$ 0.45	\$ 0.55	\$ 1.59	\$ 0.68	\$ 0.00	
1.05	3.84	1.20	3.99	0.33	3.12	0.92	3.71	1.44	4.23	1.16	3.95	0.00	2.79	0.38	0.55	1.59	0.65	0.00	
1.05	3.87	1.20	4.02	0.33	3.15	0.87	3.69	1.44	4.26	1.22	4.04	0.00	2.82	0.38	0.57	1.61	0.64	0.00	
1.05	3.89	1.20	4.04	0.31	3.15	0.81	3.65	1.41	4.25	1.22	4.06	0.00	2.84	0.38	0.57	1.64	0.63	0.00	
1.05	3.92	1.20	4.07	0.31	3.18	0.67	3.54	1.43	4.30	1.20	4.07	0.00	2.87	0.38	0.57	1.68	0.62	0.00	
0.96	3.79	1.15	3.98	0.29	3.12	0.59	3.42	1.36	4.19	1.14	3.97	0.00	2.83	0.25	0.55	1.66	0.62	0.00	
0.89	3.78	1.10	3.99	0.27	3.16	0.53	3.42	1.26	4.15	1.10	3.99	0.97	3.78	0.24	0.52	1.69	0.60	0.08	
0.89	3.71	1.05	3.87	0.22	3.04	0.50	3.32	1.25	4.07	1.06	3.88	0.97	3.71	0.22	0.50	1.68	0.56	0.08	
0.86	3.65	1.05	3.84	0.22	3.01	0.50	3.29	1.17	3.96	1.00	3.79	0.97	3.68	0.21	0.49	1.68	0.54	0.08	
0.84	3.62	1.05	3.83	0.00	2.78	0.48	3.26	1.17	3.95	0.98	3.76	0.97	3.76	0.20	0.51	1.67	0.52	0.08	

(1) - Total overlapping tax rate per property is determined by adding county tax rate, school rate, applicable utility district rate, and Missouri City tax rate. Entities created with no tax rates are: Fort Bend County MUD #s 36, 45, 54, 55, 56, 60 and Colony Bay Levy Improvement District. The overlapping rates include direct and overlapping tax rates.

(2) - Serves only First Colony MUD #9.

(3) - Harris County tax rate includes Harris County, Harris County Flood Control District, Port of Houston Authority, Harris County Department of Education, Harris County Hospital District, and Harris County Toll Road District.

Table 6

City of Missouri City, Texas

PRINCIPAL TAXPAYERS

June 30, 2004

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2003 Assessed Value of Property *</u>	<u>Percentage of Assessed Valuation</u>
1. CenterPoint Energy	Electric Utility	\$ 24,006,100	0.78 %
2. Target Corporation	Retail Center	10,941,500	0.36
3. Wal-Mart Real Estate	Retail Center	9,703,880	0.32
4. Frost Ranch Investors	Retail Center	9,672,350	0.32
5. Colony Lakes Center Ltd	Developer	9,648,550	0.32
6. Wal-Mart Stores East #2505	Retail Center	8,248,030	0.27
7. Vicksburg Estates Ltd	Developer	8,072,020	0.26
8. Home Depot USA	Retail Center	6,892,950	0.23
9. Texas Cable Partners	Utility	6,177,890	0.20
10. La Paloma Blanca LC	Retail Center	<u>6,177,890</u>	<u>0.20</u>
		99,541,160	3.25
Others		<u>2,961,703,659</u>	<u>96.75</u>
Total		<u><u>\$ 3,061,244,819</u></u>	<u><u>100.00 %</u></u>

Source - Fort Bend Central Appraisal District Records.

City of Missouri City, Texas
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2004

As a Home Rule Charter city, the City of Missouri City is not limited by law in the amount of debt it may issue.

Under Article XI, Section 5 of the State of Texas Constitution and the City Charter, the maximum tax rate for all purposes is \$2.50 per \$100 of assessed valuation. Within this \$2.50 maximum, there is no legal limit upon the amount of taxes which can be levied for debt services.

City of Missouri City, Texas

RATIO OF NET GENERAL OBLIGATION LONG-TERM DEBT TO ASSESSED VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Estimated Population	Net Assessed Value (in Thousands)	Gross Long-Term Debt (1)	Debt Service Monies Available
1995	42,498	\$ 1,494,202	\$ 10,461,732	\$ 2,173,995
1996	43,790	1,563,037	18,330,419	2,435,712
1997	45,135	1,624,015	16,640,518	2,141,816
1998	47,005	1,736,088	23,460,343	1,614,072
1999	48,886	1,847,486	28,326,747	1,449,818
2000	50,285	2,032,833	27,037,541	1,578,446
2001	54,170	2,286,059	24,778,796	1,709,161
2002	55,900	2,534,587	30,363,399	1,258,179
2003	57,622	2,762,011	30,910,188	1,356,944
2004	59,478	3,061,245	37,660,000	2,002,045

(1) - Includes all general obligation bonds, certificates of obligation, and obligations under capital leases at fiscal year end.

Source - Fort Bend Central Appraisal District Records and Census Bureau.

Table 8

Net Long-Term Debt	Ratio of Net Long-Term Debt to Assessed Value	Net Long-Term Debt Per Capita
\$ 8,287,737	\$ 0.55	\$ 195
15,894,707	1.02	363
14,498,702	0.89	321
21,846,271	1.26	465
26,876,929	1.45	550
25,459,095	1.25	506
23,069,635	1.01	426
29,105,220	1.15	521
29,553,244	1.07	513
35,657,955	1.16	600

Table 9

City of Missouri City, Texas
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL LONG-TERM DEBT TO
TOTAL GENERAL GOVERNMENTAL EXPENDITURES
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Principal	Interest and Fiscal Agent Fees	Total Debt Service	Total General Expenditures (1)	Ratio of Debt Service to Total Expenditures
1995	\$ 1,525,517	\$ 743,152	\$ 2,268,669	\$ 13,768,592	16.48
1996	1,631,313	645,083	2,276,396	13,836,028	16.45
1997	1,885,086	1,329,179	3,214,265	15,550,239	20.67
1998	2,352,177	1,347,596	3,699,773	18,047,005	20.50
1999	2,150,950	1,445,676	3,596,626	18,416,685	19.53
2000	2,115,032	1,507,694	3,622,726	20,037,837	18.08
2001	2,258,746	1,398,734	3,657,480	20,622,860	17.74
2002	2,610,397	1,507,107	4,117,504	22,134,281	18.60
2003	2,453,211	1,518,890	3,972,101	24,260,337	16.37
2004	2,717,982	1,403,988	4,121,970	25,626,721	16.08

(1) - Includes general governmental expenditures of the General Fund and Debt Service Fund.

Table 10

City of Missouri City, Texas

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

June 30, 2004

Taxing Jurisdiction	Gross Debt	Overlapping	
		Percentage	Amount
Blue Ridge West MUD	\$ 129,888	100.00 %	\$ 129,888
First Colony Levee Improvement District	3,795,000	32.53	1,234,514
First Colony MUD No. 9	23,340,000	100.00	23,340,000
Fort Bend County	214,335,000	12.99	27,835,686
Fort Bend County MUD No. 26	5,825,000	100.00	5,825,000
Fort Bend County MUD No. 42	13,840,000	100.00	13,840,000
Fort Bend County MUD No. 46	10,600,000	100.00	10,600,000
Fort Bend County MUD No. 47	4,675,000	100.00	4,675,000
Fort Bend County MUD No. 48	2,450,000	100.00	2,450,000
Fort Bend County MUD No. 49	3,365,000	100.00	3,365,000
Fort Bend County MUD No. 115	9,350,000	100.00	9,350,000
Fort Bend County WCID No. 2	30,445,000	26.69	8,125,771
Fort Bend Independent School District	473,966,412	21.52	101,997,572
Harris County	1,517,241,590	0.15	2,306,207
Harris County Department of Education	2,250,000	0.15	3,420
Harris County Flood Control District	71,799,985	0.15	109,136
Harris County MUD No. 122	4,145,000	100.00	4,145,000
Harris County Toll Road	724,691,728	0.15	1,101,531
Harris County WCID (Fondren Road)	4,955,000	100.00	4,955,000
Houston Community College System	144,155,000	3.89	5,607,630
Houston Independent School District	1,578,134,428	0.21	3,314,082
Meadowcreek MUD	680,000	100.00	680,000
Palmer Plantation MUD #1	9,800,000	100.00	9,800,000
Palmer Plantation MUD #2	11,115,000	100.00	11,115,000
Port of Houston Authority	306,245,000	0.15	465,492
Quail Valley Utility District	1,410,000	100.00	1,410,000
Sienna Plantation Levee Imp. District	44,630,000	14.63	6,529,369
Southwest Harris County MUD #1	1,180,000	100.00	1,180,000
Total Overlapping Debt			265,490,298
City of Missouri City	\$ 37,660,000	100.00	37,660,000
Total Direct and Overlapping Debt			\$ 303,150,298
Population			59,478
Per Capita Debt-Direct and Overlapping			\$ 5,097

Source: First Southwest Company.

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Table 11

City of Missouri City, Texas
DEMOGRAPHIC STATISTICS
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Estimated Population (1)	School Enrollment (2)	Unemployment Percentage (3)
1995	42,498	14,495	3.6 %
1996	43,790	14,975	3.9 %
1997	45,135	15,718	3.5 %
1998	47,005	49,194	3.2 %
1999	48,886	54,710	3.6 %
2000	50,285	53,078	3.6 %
2001	54,710	52,319	3.8 %
2002	55,900	56,700	4.9 %
2003	57,622	59,374	6.9 %
2004	59,478	61,665	5.8 %

(1) - Estimated population from 2000 Bureau of Statistics totals plus new electrical connections (City records) times 3.19 less vacancy rate of 6.3%.

(2) - School enrollment figures were obtained from Fort Bend Independent School District and includes kindergarten through college students.

(3) - Unemployment statistics for the City were obtained from the Texas Workforce Commission, for Fort Bend County Labor Force.

City of Missouri City, Texas

PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS

Last Ten Fiscal Years

Fiscal Year	Property Value				Commercial	
	Commercial	Residential	Exemptions	Total (1)	Number of Units	Value
1995	\$ 274,584,880	\$1,276,561,625	\$ 158,982,650	\$1,392,163,855	14	\$ 4,235,006
1996	306,465,330	1,302,500,121	154,679,100	1,454,286,351	22	14,664,179
1997	317,904,480	1,357,545,916	156,584,200	1,518,866,196	35	32,886,655
1998	337,579,530	1,466,204,246	182,181,560	1,621,602,216	54	43,128,130
1999	347,718,720	1,598,625,861	210,693,205	1,735,651,376	37	12,777,250
2000	421,004,900	1,721,971,891	203,635,432	1,939,341,359	32	23,881,358
2001	443,187,720	1,976,649,096	223,347,278	2,196,489,538	28	52,539,994
2002	467,072,270	2,184,869,577	215,895,016	2,436,046,831	31	21,784,293
2003	509,884,330	2,365,815,421	228,411,697	2,647,288,054	30	32,192,900
2004	543,484,110	2,631,445,381	252,973,574	2,921,955,917	19	13,012,704

(1) - Property value total does not include personal property.

(2) - Other construction includes repairs and additions to both residential and commercial construction.

(3) - Total property value of construction as reported by builders in permit applications.

Source - Fort Bend Central Appraisal District Records and City Planning Department.

Table 12

Construction						Bank Deposits (in Millions)
Residential		Other (2)		Total (3)		
Number of Units	Value	Number of Units	Value			
474	\$ 68,343,583	347	\$ 4,131,066	\$ 76,709,655	\$ 5,338	
587	89,536,803	492	11,170,180	115,371,162	5,673	
572	77,715,339	375	3,795,351	114,397,345	5,129	
1,386	117,787,545	671	29,289,599	190,205,274	127,656	
835	128,623,902	816	36,817,601	178,218,753	136,824	
658	111,120,499	877	6,796,141	141,797,998	127,231	
554	95,739,080	627	12,841,460	161,120,534	156,710	
608	114,396,860	1,517	39,309,525	175,490,678	156,710	
1,009	177,857,241	226	12,081,067	222,131,208	141,663	
819	145,369,568	250	7,548,206	165,930,478	169,613	

City of Missouri City, Texas

MISCELLANEOUS STATISTICAL DATA

June 30, 2004

Date of incorporation	March 12, 1956															
Form of government	Council/Manager															
Area of City	29.7 square miles															
Lane miles of street maintained by City	606 miles															
Fire Protection:																
Number of stations	4															
Number of certified personnel	56															
Number of fire vehicles (includes 6 fire apparatus-fire trucks)	16															
Police Protection:																
Number of stations	1															
Number of commissioned officers, not including reserve officers	64															
Parks:																
Number of parks	34															
Acres	934.42															
Municipal Bond Rating:																
Moody's Investors Service, Inc.	A1															
Standard & Poor's Corporation	A															
Population:																
1980 Census	24,423															
1990 Census	36,176															
2000 Census	52,913															
2004 Estimate	59,478															
County Government Type	Commissioners Court															
Schools:																
<u>Elementary</u>																
In District	37															
In Missouri City	9															
<u>Junior High Schools</u>																
In District	11															
In Missouri City	3															
<u>Senior High Schools</u>																
In District	9															
In Missouri City	3															
Total enrollment (As of 5/27/03)	61,665															
Educational Statistics:																
	<table><tr><th>District</th><th>Texas</th><th>US</th></tr><tr><td>Verbal mean score (2002-2003)</td><td>514</td><td>493</td></tr><tr><td>Math mean score (2002-2003)</td><td>537</td><td>500</td></tr><tr><td>Area private/parochial schools</td><td></td><td>7</td></tr><tr><td>Area colleges</td><td></td><td>16</td></tr></table>	District	Texas	US	Verbal mean score (2002-2003)	514	493	Math mean score (2002-2003)	537	500	Area private/parochial schools		7	Area colleges		16
District	Texas	US														
Verbal mean score (2002-2003)	514	493														
Math mean score (2002-2003)	537	500														
Area private/parochial schools		7														
Area colleges		16														
Health Facilities:																
In Missouri City	1															
In general area	6															
Special Purpose Health Care Centers	4															
Religious facilities	34															

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City of Missouri City, Texas

MISCELLANEOUS STATISTICAL DATA

June 30, 2004

		2000 Census	
		Total	Percent
City Employment Statistics: (continued)			
Occupation			
Management, professional, and related		13,213	49.2%
Service		2,427	9.0%
Sales and office		7,704	28.7%
Farming, fishing and forestry		5	0.0%
Construction, extraction and maintenance		1,303	4.9%
Production, transportation and material moving		2,202	8.2%
		26,854	100.0%

Source of Data - U.S. Census, Missouri City Planning Department's community profile, and other City records.